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FINANCIAL TIMES

Lessons from Escom
PCs, like fruit, have
a sell-by date

IT outsourcing
Beware long-term
strategic contracts

Airline regulation
Why Brussels is
muscling in

TOMORROW'S
Weekend FT
Can 34 armies
save Bosnia?

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FRIDAY JULY 5 1996

Netanyahu creates post for Sharon in bid to avert crisis

Israel prime minister Benjamin Netanyahu sought to defuse the first crisis of his new government by creating a ministry of infrastructure for rightwing ex-general Ariel Sharon, the champion of Jewish settlement in the Israeli-occupied West Bank. Foreign minister David Levy threatened to quit the government unless Mr Sharon was given a cabinet post. Page 20

De Benedetti eases grip on Olivetti Carlo De Benedetti relinquished his day-to-day executive role as part of boardroom changes at troubled Italian computer group Olivetti. Page 21

Air France showdown looms Unions and management at state-controlled carrier Air France looked set for a showdown after union rejection of plans for a total merger with domestic partner Air France Europe. Page 21

Bombers' hideout found German investigators have found a rural holiday house where they suspect Irish Republican Army terrorists prepared a bomb attack on a British army base in Germany last Friday. Three men and two women had stayed at the house.

Athens hit by heatwave Cars were banned from the centre of the Greek capital and people were urged to stay at home to escape the effects of a heatwave that has pushed temperatures close to 40 Celsius in windless conditions.

Rome investigate heist Prominent magistrate Antonio Polsggi, three lawyers and an accountant were arrested in Rome as part of a corruption probe in the Italian capital. They are suspected in connection with bribes allegedly paid by a businessman to stop an investigation of his finances.

Suicide bomber kills 24 A Sri Lankan suicide bomber killed at least 21 troops and civilians and injured 50 other people - including a cabinet minister - in the northern Jaffna region. The rebel Liberation Tigers of Tamil Eelam said the woman bomber was one of its members. Page 4

German to head UK car unit German luxury car maker BMW named German Walter Hasselbusch to head Rover Group, its UK unit. BMW had been looking for a Briton to fill the post and the company stressed the appointment did not signal a strategy change. Page 21

Malaysia set for UK stake Alling UK-based construction company Costain travelled a rescue refinancing package which could give Intria Berhad, a Malaysian construction and investment group, a 40 per cent stake. Page 21; Background, Page 26; Lex, Page 26

Mine seeks striking workers South Africa's Rustenburg Platinum Mines, the world's biggest platinum producer, sacked the last of its 28,000 striking workers. Mine owner Anglo American Platinum dismissed 18,000 workers on Monday, 8,000 on Wednesday and the last 7,000 on yesterday for defying a court order which declared the strike illegal.

Paris court rejects used cow cases A Paris court dismissed charges by Belgian meat producers that French beef labels meant to reassure consumers over the British mad cow crisis were a protectionist ploy that damaged Belgian exports.

Japanese banks agree debt deal Japanese banking officials said the nation's leading commercial banks and the Finance Ministry had agreed details of a plan under which the banks will jointly pay out a ¥800bn (\$7.2bn) for the scheme to liquidate seven debt-ridden mortgage firms.

Suharto medical expected Diplomats said Indonesia's 76-year-old president Suharto was expected to fly to Germany at the weekend for medical checks.

'Find local partner', accountants told China has told overseas accountants they will have to wind up existing joint ventures within five years and work in future through member firms in China. Joint venture firms were a transitional arrangement, said Ding Pingzhang, head of the China Society of Registered Accountants.

Fire grips Gromzy A big fire raged through an industrial area of the Czech capital, Gromzy. It appeared to centre on a chemical plant in the middle of an oil refining district.

Japan poised for satellite firsts A group of leading Japanese companies is poised to win the country's first contract in the competitive satellite launching business. A deal would boost Japan's aerospace industry ambitions. Page 20

Yankees Top seed and defending champion Pete Sampras crashed out of Wimbledon, beaten 7-5 7-6 6-4 by unseeded Dutchman Richard Krajicek. Britain's Tim Henman lost his quarter final match 6-7 6-7 4-6 to 12th seed Todd Martin of the US.

STOCK MARKET INDICES		GOLD	
FT-SE 100	3,780.8 (+45.5)	London	\$361.225 (382.2)
Nifty	4,014		
FT-SE Europe 100	1,788.78 (+6.5)		
FT-SE-Air Share	1,075.47 (+0.29)		
Nikkei	22,282.91 (+81.1)		
LONDON MONEY		STERLING	
3-mo Interbank	5.57%	\$	1.5803 (1.559)
12-mo Interbank	5.75%	DM	2.377 (2.377)
US 100 day future	94.70 (94.70)	FF	8.0384 (8.038)
		SF	1.858 (1.858)
		Y	172.213 (172.378)
		£ Index	98.8 (same)
		Tokyo close	¥110.15

The New York markets were closed yesterday	
Athens 154.228	Germany DAX100 10,500
Bombay 20,007	France CAC40 4,014
Brexit 201.250	Hong Kong 19,520
Calcutta 8,775	Hungary FTSE 100 3,780.8
Chengde 1,000	Indonesia IHSG 22,282.91
Colon 1,000	Italy ISEQ 10,000
Dhaka 1,000	Japan Nikkei 22,282.91
Hankow 1,000	Malaysia KLSE 1,000
Hong Kong 1,000	Philippines PSE 1,000
Kuala Lumpur 1,000	South Africa JSE 1,000
London 1,000	Taiwan TSE 1,000
Manila 1,000	Thailand SET 1,000
Osaka 1,000	Turkey BIST 1,000
Seoul 1,000	USA NYSE 1,000
Singapore 1,000	UK FTSE 100 3,780.8
Taipei 1,000	
Tel Aviv 1,000	
Tokyo 1,000	
Yokohama 1,000	

UK metal broker owners claim senior Japanese officials agreed Hamanaka's copper deals Sumitomo board approved trades

By Clay Harris and Robert Thomson in London

The owners of Winchester Commodities, the UK metal broker under scrutiny for its role in the Sumitomo copper scandal, claim key trades were approved at board level in the Japanese trading company.

In their first face-to-face interview, Mr Charlie Vincent and Mr Ashley Levett - both 36-year-old tax exiles in Monaco - shed light on their dealings with Mr Yasuo Hamanaka, Sumitomo's former chief copper trader. They said several senior officials gave trades the go-ahead and that Mr Hamanaka was not a "rogue trader".

Winchester executed many deals for Mr Hamanaka, who was dismissed by Sumitomo last month and blamed by his former employer for losses of at least \$1.5bn. "I don't believe Mr Hamanaka was an island, and I don't think you do, do you?" Mr Levett asked his partner. "No, I don't," replied Mr Vincent.

The affair has heightened interest in the colourful careers of Mr Vincent, known as "Copperfin-ners" among metals traders, and Mr Levett, benefactor of Richmond rugby football club. Each man was paid more than £15m by Winchester last year.

They described Mr Hamanaka who had entertained them at several bars in Tokyo's Ginza, as a "true corporate animal". Mr Levett described how the Sumitomo trader worked through the night in Japan, making trades in London and New York. "He was probably like Margaret Thatcher."

Mr Vincent added: "We've had no approach from any regulator. All we've done is strongly deny all these allegations and offered our assistance. We're very much here. We're not lying under a paving stone in Monaco."

Both men repeatedly stressed the central role of Credit Lyonnais Rouse, the London Metal Exchange member which cleared Winchester's trades and for which Winchester acted as "introducing broker" for many clients, including Sumitomo.

"I've never done a trade for Sumitomo or any of its employees other than through Credit Lyonnais Rouse," Mr Vincent said. He also said Mr Roy Leighton, CLR chairman, personally handled the Sumitomo account.

Asked if Winchester had made more money for its size than other market participants, Mr Levett replied: "For its size? Our size was Credit Lyonnais. That was the limit of our size." CLR, however, said Winchester was subject to credit limits based on usual risk assessments.

Mr Vincent said all transactions for Sumitomo had been done at standard market commissions. "Winchester's success has been in our proprietary trading."

Why Mr Copper chose British provincial team Page 6

He seemed to be able to get by without too much sleep. In an interview with the Financial Times during a visit to Britain, Mr Vincent and Mr Levett said their lawyer had written to the UK's Serious Fraud Office, offering co-operation in its Sumitomo investigation, but had not yet received a reply.

Mr Vincent added: "We've had no approach from any regulator. All we've done is strongly deny all these allegations and offered our assistance. We're very much here. We're not lying under a paving stone in Monaco."

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Non-Emu countries may face restrictions on access

By Gillian Tett and George Graham

Banks based in countries outside the future European monetary union could become "second-class citizens" in dealings in the euro.

Although all European Union countries will be allowed access to the euro payments system, countries which are expected initially to stay out of Emu, such as the UK, are increasingly likely to face discriminatory restrictions on their access.

The British insist that they have an absolute right to access after the single currency comes into effect in 1999, but Bonn and Paris take different views.

French and German bankers are concerned that their British rivals should not be able to take competitive advantage of the UK's non-membership in the monetary union while reaping all the benefits of the union.

"The British would like to have the best of both worlds," said one French banker. French and German officials are now stepping up pressure for much tighter controls to be imposed on the access to euro liquidity during trading hours by non-Euro-domiciled banks.

They argue this is necessary to make the future euro system more stable and protect the competitive position of financial centres such as Frankfurt and Paris.

A broad agreement on the system was drafted at a meeting this week of European central bankers after French and German officials argued that the proposed controls were too lax. Some officials suspect a decision will be postponed until the European Central Bank is formed in 1998, when it will be taken by Emu members only.

The battle centres around the structure of Target, the payments system which will be used for the euro. It is agreed that all EU central banks will have access to this system and will be able to provide liquidity in euros to their local banks. The crucial issue is the terms on which banks will have access to this system in different countries.

Chernomyrdin boosts position after Yeltsin win

By Chrystis Freeland and John Thornhill in Moscow

Mr Victor Chernomyrdin, the Russian prime minister, moved quickly yesterday to consolidate his position as the heir apparent to Mr Boris Yeltsin, after the ailing Mr Yeltsin won a convincing victory in the country's presidential elections.

Mr Yeltsin asked Mr Chernomyrdin to form a new government, which the prime minister took as a signal that he could reduce the influence of Mr Alexander Lebed, the former general who was recruited to the Yeltsin team two weeks ago.

As prime minister, Mr Chernomyrdin is the man who takes over if the president dies or becomes incapacitated.

Mr Chernomyrdin, whose main job is to preside over the Russian economy, said he would block Mr Lebed's efforts to extend his mandate as head of the Security Council to include economic issues and was dismissive of the maverick officer's public calls to restore the vice-presidency.

"I am not going to give away anything to anyone... there is enough work for everyone, including the Security Council," Mr Chernomyrdin said. He added that he was not opposed to the re-creation of a vice-presidency - an office Mr Lebed appears to be eyeing for himself - but only after the next presidential elections, due to take place in 2000.

Preliminary returns showed Mr Yeltsin had won Wednesday's poll with the support of 63 per cent of voters, a 13 per cent lead over his Communist rival Mr Gennady Zyuganov.

The victorious Russian leader appeared briefly on television, urging Russians to come together after their novel experience of an open contest for national office.

Yet even on the day of one of his greatest triumphs, Mr Yeltsin prolonged a retreat from the public eye which has now lasted for eight days, fueling concerns about his health.

Mr Zyuganov admitted defeat, belying some predictions that the opposition would respond to a loss in the polls with violence. His swift concession might also open the door to co-operation between some of the more moderate Communist politicians and the re-elected Yeltsin administration.

Mr Chernomyrdin also criticised Mr Grigory Yavlinsky, the democratic politician who came in fourth in the first round of

Nissan plans to restructure UK and Spanish plants

By Michio Nakamoto in Tokyo and Haig Simonian in London

Nissan Motor indicated yesterday that its European production plants in the UK and Spain would be restructured in an effort to return to profitability.

Mr Yoshikazu Hanawa, who succeeded Mr Yoshitomi Tsuji as chief executive at Japan's second largest carmaker last month, said yesterday that restructuring abroad would be his top priority.

The company, which suffered a consolidated loss of ¥88.4bn (\$966m) in the year to March 1996, has been particularly hit by fierce competition in Europe and turmoil in Mexico, where it also has large plants, after the devaluation of the peso.

"Business in Europe is increasingly difficult. European companies have become very strong so we cannot carry out business as we have in the past," Mr Hanawa said.

Although he did not give specific restructuring details, he said he was aiming to get the company's European business "back on its feet" through further streamlining and higher sales after the introduction of the Primera this year. He hoped that the group's problems in Mexico would ease as the peso stabilised.

Nissan suffers from expensive excess capacity in both Europe and Mexico. Production in Mexico, where the company has three plants, is running at about two-thirds of its 300,000 capacity.

A similar problem has arisen in the UK, where Nissan was the first Japanese carmaker to set up production in 1985. Nissan's plant in north-east England is running well under its 300,000 capacity. Output, which peaked at 248,000 units in 1995, is expected to be 215,000 units this year. The shortfall has prompted studies on whether the company should add a third model alongside the Primera and the Micra around the turn of the century.

In Spain, where the company bought into Motor Iberica in 1990, Nissan has had to spend heavily on restructuring its subsidiary, including buying out minority shareholders.

Mr Hanawa said he also wanted to increase the group's market share in Japan by taking the lead in safety and environmental awareness and improving cost competitiveness.

The company aims to sell 1.2m cars in Japan this year - half the 2.5m unit target set by Toyota, the market leader. Nissan managed to increase domestic market share last year for the first time in six years.

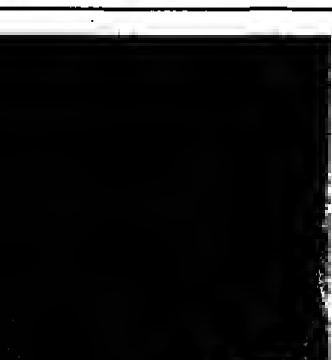
Some analysts believe the task will be complicated as the Japanese market grows more competitive because of higher imports. Sales of imported cars rose by 14.9 per cent in the first six months of this year compared with a year earlier.

Mr Hanawa said he did not intend to cut the range of models offered. Nissan's strategy was to be a kind of department store selling as many models as possible with character, he said.

Imports' share rises, Page 8
Rover chief appointed, Page 21

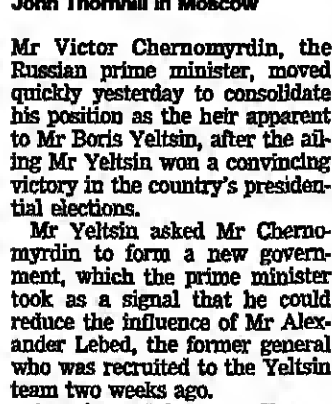
Celebration time

Boris Yeltsin (left) receives congratulations and flowers from Russian prime minister Viktor Chernomyrdin during a Kremlin meeting yesterday following Yeltsin's electoral victory



Boris Yeltsin (left) receives congratulations and flowers from Russian prime minister Viktor Chernomyrdin during a Kremlin meeting yesterday following Yeltsin's electoral victory

IF A PET FOOD MANUFACTURER WANTS TO BE TOP DOG, WE'LL MAKE SURE HE CAN.



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NEWS: EUROPE



From underdog to champion

January 1996 Yeltsin orders an attack on the village of Pervomaiskoye in southern Russia...

February He announces decision to run for presidency...

March Yeltsin calls an end to military action in Chechnya...

May On May Day Yeltsin goes to Volgograd, a communist stronghold...

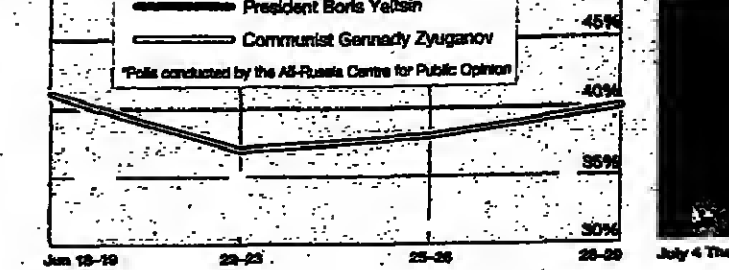
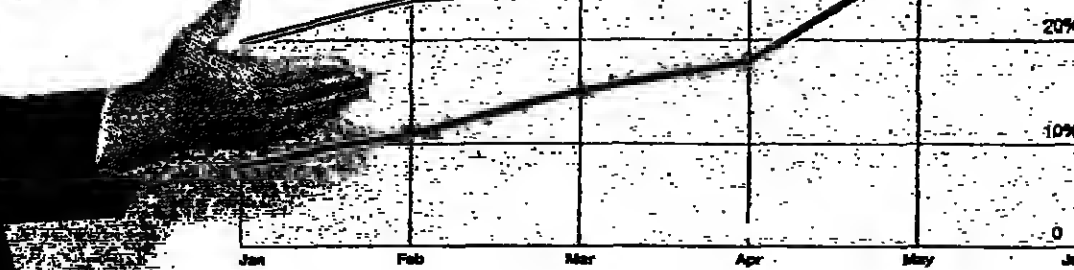
June 17 Yeltsin appoints retired General Alexander Lebed...

June 30 He makes three top Kremlin headlines...

June 28 Yeltsin's absence from a Kremlin meeting...

July 1 Appearing frail, Yeltsin makes a belated two-hour appeal to voters...

July 3 Yeltsin wins, becoming the first democratically elected national leader in Russian history...



Victory for Russian-style democracy and capitalism

A century and a half ago the Marquis de Custine, one of Russia's most eloquent foreign chroniclers...

and the defeated presidential candidate admit was broadly free and fair. By a wide margin, they used that chance to re-elect a man who...

Over the past five years Russia has undergone a wrenching transformation from central planning to a market economy...

did not storm the red walls of the Kremlin, they did register a powerful protest which the nation's triumphant masters will ignore...

share this optimistic opinion. Even yesterday, on the day of one of the greatest triumphs of his career...

according to the Russian constitution, if the president dies or is incapacitated the prime minister takes over as interim head of state...

tion democratic politician. The premier's performance was a swift and polished move to step into the potential political vacuum...

Masterly performance from ailing president

From under 8% in opinion polls just six months ago he came back to win a resounding victory

President Boris Yeltsin may have given millions of Russians many reasons to doubt him but his impressive victory in the presidential elections...

plaints about the Chechen war, the failure of the government to pay wages and pensions on time, and the perceived corruption of Mr Yeltsin's entourage...

unpopular hardline advisers were quick to roll. The campaign team also realised it had to devise a means for rebuilding personal trust between the voters and the isolated president...

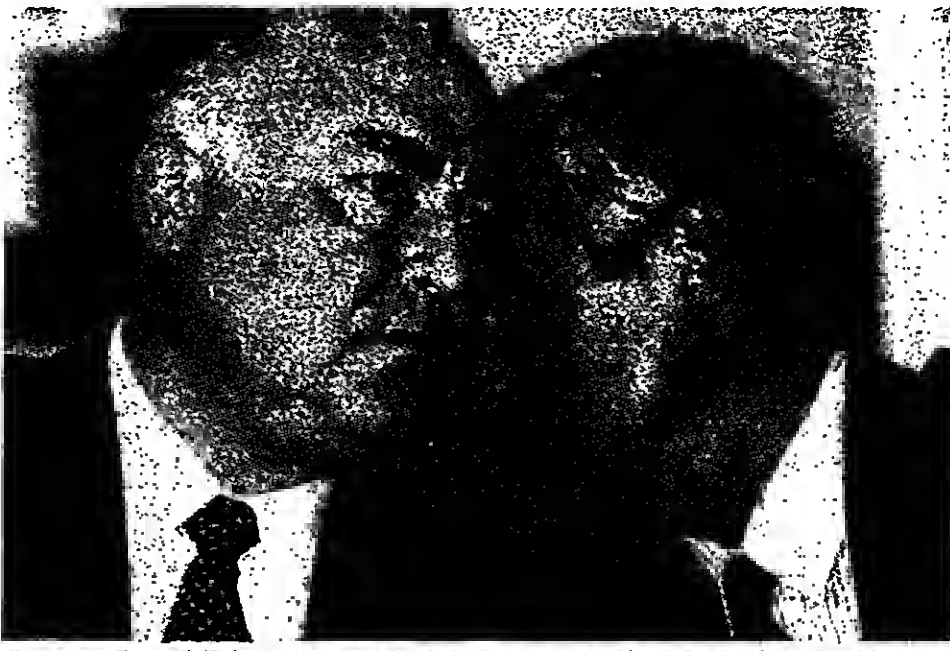
Mr Yeltsin moved decisively to tackle all three issues - even if it remains doubtful whether he has successfully resolved any of them.

The complacent media also played its part in polishing the president's image as a Tsar-like "father of the nation", who may have been surrounded by incompetent ministers...

A ganlie advertising campaign constantly repeated on television and in countless outdoor posters across the land pushed the slogan: "I believe, I hope, I love."

Formed by those hardcore Soviet Communists who lacked either the skills or the desire to follow their comrades into Boris Yeltsin's Kremlin...

The triumphant Yeltsin team has already made moves to encourage this split between Communist extremists who still praise Stalin and the party's more moderate wing...



Chernomyrdin (left), lining up to succeed Yeltsin, listens to presidential aide Victor Iyushin

Communists accept defeat like democrats

Mr Zyuganov's concession of defeat yesterday is a sign that Russia's Communists may be preparing to abandon Lenin's Bolshevik tradition and evolve into a social democratic party...

"We will never again need to choose between communism and capitalism."

As Mr Vladimir Semago, an entrepreneur and Communist member of parliament who has served as the business-friendly face of the party...

There was a barely suppressed sense of euphoria in Moscow's financial markets yesterday after traders woke to the news of Mr Boris Yeltsin's comprehensive election victory.

But astute investors customarily celebrate events before they happen. Much of yesterday's elation has already been reflected in the price of Russian financial assets...

THE FINANCIAL TIMES Published by The Financial Times (Europe) GmbH...

Rival companies threaten to bring their own product into disrepute

Fizz goes out of Spanish bubbly

By Tom Burns in Madrid What started as a commercial spat between two giants of Spanish bubbly has ended up muddying the wineries of Catalonia and threatens to bring down the region's champagne look-alike into disrepute.

Brussels may seek more help on vetting state aid

By Guy de Jonquieres in London The European Commission is considering asking EU member states to clarify and streamline its authority to vet state aid to industry, to enable it to deal more effectively with a marked rise in its workload.

Change Attitudes

Mr Van Miert said his decision on how to proceed would depend on consultations with EU governments, and warned them against using a debate on state aid policy to try to loosen the rules.

Mr Van Miert said the more than Ecu100bn (\$126.56bn) annually spent on state aid in the EU was still too high, and a tenth of all cases were not notified to Brussels.

Slow progress in curbing public deficit prompts call for action 'as rapidly as possible'

UK warned over pre-election tax cuts

By Lionel Barber in Brussels

The UK government cannot afford pre-election tax cuts if Britain is to stay on course for joining the single currency in 1999, according to a warning by the secretive EU monetary committee.

The monetary committee blames slower than expected progress in curbing Britain's public deficit and calls for action "as rapidly as possible".

The warnings about the British budget deficit and the recommendations for corrective action are contained in a document which is expected to be endorsed by EU finance

ministers at a meeting in Brussels next Monday.

Eleven other EU member states - including France and Germany - will receive similar censure about "excessive deficits". Only Denmark, Ireland, and Luxembourg escape being put on a blacklist for running deficits beyond the target of 3 per cent of GDP in 1996.

All candidates for monetary union will be judged on their performance in 1997 at a meeting of EU leaders in spring 1998.

The Maastricht criteria include exchange rate stability, low inflation and interest rates, budget deficits and government debt of 3 per cent and 60

per cent of GDP respectively, or movement at a satisfactory pace in that direction.

The monetary committee - made up of senior national treasury officials - agreed to recommendations on corrective action in each member state this week.

While welcoming the UK government's commitment to reducing its deficit, it notes:

"If a deficit of 3 per cent of GDP or less is to be achieved in 1997 there would appear to be no room for relaxation with respect to revenue and expenditure policy given the recent weaker than expected trend in revenues... continued tight control

of expenditure will be necessary."

For Mr Kenneth Clarke, UK Chancellor, the recommendations on corrective action could be helpful in fending off pressure from Tory backbenchers for tax cuts ahead of the general election, to be held by next May at the latest.

However, officials in Brussels noted that the link between meeting Maastricht criteria for Emu and the potential for tax cuts could prove politically sensitive in the UK.

Tory Euro-sceptics are pressing the government to rule out joining the single currency in the next parliament. As a concession to his right-wing, Mr John Major, UK prime minister, has pledged to hold a referendum on the single currency. But Mr Clarke has insisted on keeping all options open on whether to join Emu.

The monetary committee's document notes that the UK government last spring postponed its goal of hitting the Maastricht treaty target of 3 per cent of gross domestic product from 1996/7 to 1997/8.

It also notes that the British deficit target of 4.5 per cent of GDP - which EU finance ministers recommended last year - is "unlikely" to have been realised in 1995/6. For 1996/7, the UK government has forecast a deficit of 3.5 per cent of GDP.

Failures of the euro exam. Page 18

Moody's upgrade gives Italian leader a fillip

By Andrew Hill in Milan

Italy's seven-week-old government yesterday basked in the approval of bond and equity markets, following this week's decision by Moody's, the US credit rating agency, to upgrade the country's credit rating.

The upgrade to Aa3, the first since 1991 by Moody's, provided some relief for Mr Romano Prodi, Italy's prime minister, at the end of a fortnight during which his centre-left administration has come under fire for both a lack and an excess of economic rigour.

Mr Sergio Cofferati, general secretary of CGIL, the largest union federation, criticised the government for proposing cuts in social spending, and setting an over-ambitious target for inflation of 2.5 per cent in 1997. Unions are concerned about the inflation target because it provides the basis for wage negotiations.

The Bank of Italy's reluctance to lower interest rates until inflation is well under control, and a slowdown in forecast economic growth, are also limiting the new government's room for manoeuvre.

Since coming to power, the government has approved a mini-budget for 1996, consisting of L16,000bn (\$10.3bn) of



Prodi: half-measures 'useless'

corrective measures. Last week, Mr Carlo Azeglio Ciampi, the treasury and budget minister, introduced the three-year macro-economic programme, which aims to reduce the budget deficit to 3 per cent of GDP in 1998, a year later than the Maastricht criteria for entry into Emu. The 1997 budget, due in the autumn, will aim to find L32,400bn in cuts and new revenue.

The three-year programme was attacked by Mr Mario Monti, one of Italy's European commissioners, who said he had expected more of a stable

government at the beginning of a five-year mandate. The criticism hit home, especially as the centre-left government has set a return of the lira to the exchange rate mechanism as one of its early objectives.

Speaking at the CGIL congress, Mr Prodi said his government had to "turn a new page, and half-measures would be worthless".

"We are making this great effort, the effects of which must last for years. But we have managed to obtain, for the first time, an equitable division of the burden," he said.

Yesterday, Italian bonds and equities strengthened and the lira was stable at just over L1,000 to the D-Mark.

But in an indication of the sensitivity of the economic situation, the government had to clarify comments made by Mr Carlo Azeglio Ciampi, the treasury and budget minister, in which he seemed to suggest another mini-budget would be necessary in early 1997. Mr Massimo D'Alema, leader of the PDS, said there was no such manoeuvre in sight.

The treasury said that the economic programme provided for an acceleration of convergence with Maastricht this autumn, if economic and market conditions allowed.

Court to probe search of mayor's apartment

By David Buchan in Paris

The Paris appeals court said yesterday it would examine a dispute that has broken out between magistrates and police over a search last week of the apartment of Mr Jean Tiberi, the mayor of Paris, thereby ensuring this awkward affair for France's Gaullist establishment rumbles on.

At the centre of the judicial row is Mr Eric Halphen, a magistrate who had been investigating allegations that Mr Tiberi improperly let his son rent a city-owned apartment and who is still investigating allegations that housing contractors had inflated their bills in order to pass money to the Gaullist-dominated Paris city council.

Last week's decision by the Paris prosecutor to take Mr Halphen off the case of the Tiberi son's apartment brought sharp criticism from opposition Socialists. But a much wider outcry, extending to magistrates and even some Gaullists, had followed the earlier refusal by the head of the Paris criminal police to let his officers join Mr Halphen in searching the mayor's own apartment.

The police are generally supposed to do the bidding of magistrates in possession



Tiberi: threatened legal action

of an investigation mandate.

The Paris appeals court has now agreed to the request of the French magistrates' association to consider the propriety of the police chief's inaction. Its closed-door hearing on Monday may be inconclusive, but it prolongs a bit further the "homes for the boys" affairs which have been swirling around the town hall and which caused Mr Juppé acute embarrassment last year when the Paris prosecutor ordered him out of his own city-owned flat in Paris.

If the allegations about Gaullist mismanagement in

the capital, of which President Jacques Chirac was for 18 years mayor, rumble on, they could split government backbenchers, if not the government itself. Inside the ruling Gaullist RPR-centre/right UDF coalition, a few MPs identified with Mr Chirac's Gaullist presidential rival, Mr Edouard Balladur, have openly complained about the Paris police's behaviour.

However, the police chief's insistence that he acted without consulting his political superiors has for the moment stifled suggestions of a high-level cover-up. Mr Tiberi has fought back by saying he will take legal action against those who leaked results of Mr Halphen's investigations to the police.

Mr Alain Juppé, prime minister, has said the government may try to legislate to stop the widespread leaking of judicial investigations.

Mr Juppé defended his government's economic record in a TV interview on Wednesday night. He admitted that "for several weeks, there has been bad news" on the economy. Holding out the prospect of a rosier future, he insisted that "we have a policy that bears fruit", though it consisted of reforms that were aimed at "the 5-10 years to come".

EUROPEAN NEWS DIGEST

Works councils total up in EU

More than 140 companies operating in the European Union have already set up works councils, three months before the controversial European Works Council Directive takes effect, according to research by the European Commission.

The list includes 13 UK companies, even though the directive does not cover the UK because of its opt-out from the Maastricht treaty's social chapter. The directive says every company operating in the EU employing over 1,000 people, with 150 of them in at least two member states, must establish a workers' information and consultation committee.

Many companies have acted early, as concluding agreements before the directive takes effect on September 22 avoids certain formal requirements, such as establishment of a special negotiating body.

German and French companies make up half the list, with 43 and 31 respectively. The US and Japan appear seven times each, while of EU members only Spain and Greece are not represented.

Neil Buckley, Brussels

East German land claims delay

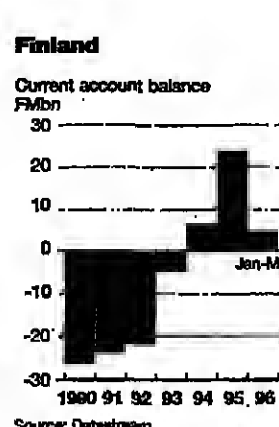
Property claims for east Germany's agricultural land can not be resolved until the end of the century, at which time some land can be bought and sold at market prices, the BVVG, the agency charged with privatising east German land, said yesterday.

Delay in settling property rights to 1.1m hectares of land placed in 1991 under the BVVG, a division of the Treuhands privatisation agency, stems from hundreds of claims from former landowners who had property expropriated by the Soviet administration that occupied eastern Germany in 1945-49. However, under the terms of the German unification treaty of 1990, they had not been entitled to any compensation, unlike land confiscated by the Nazis in 1933-45 or by the communists between 1949-90.

Judy Dempsey, Berlin

ECONOMIC WATCH

Finland records trade surplus



Source: Datastream

Finland's preliminary current account for May showed a FM2.6bn (\$560m) surplus after a revised FM1.1bn deficit in April, according to figures released yesterday by the Bank of Finland. The surplus in the five months to May was FM4.8bn, down from FM5.7bn a year earlier. The data from the central bank also showed Finland's trade surplus rising to FM4.6bn in May, up from FM3.2bn the month before.

The Bank of France yesterday lowered its key intervention rate to 3.55 per cent from 3.6 per cent. It left unchanged at 4.9 per cent.

German industrial orders rose 0.3 per cent in May from April, much less than the 2.6 per cent surge in April. West German orders fell by 0.3 per cent month-on-month but were outweighed by an 11 per cent increase in the east, which kept the pan-German figure positive.

SIEMENS NIXDORF



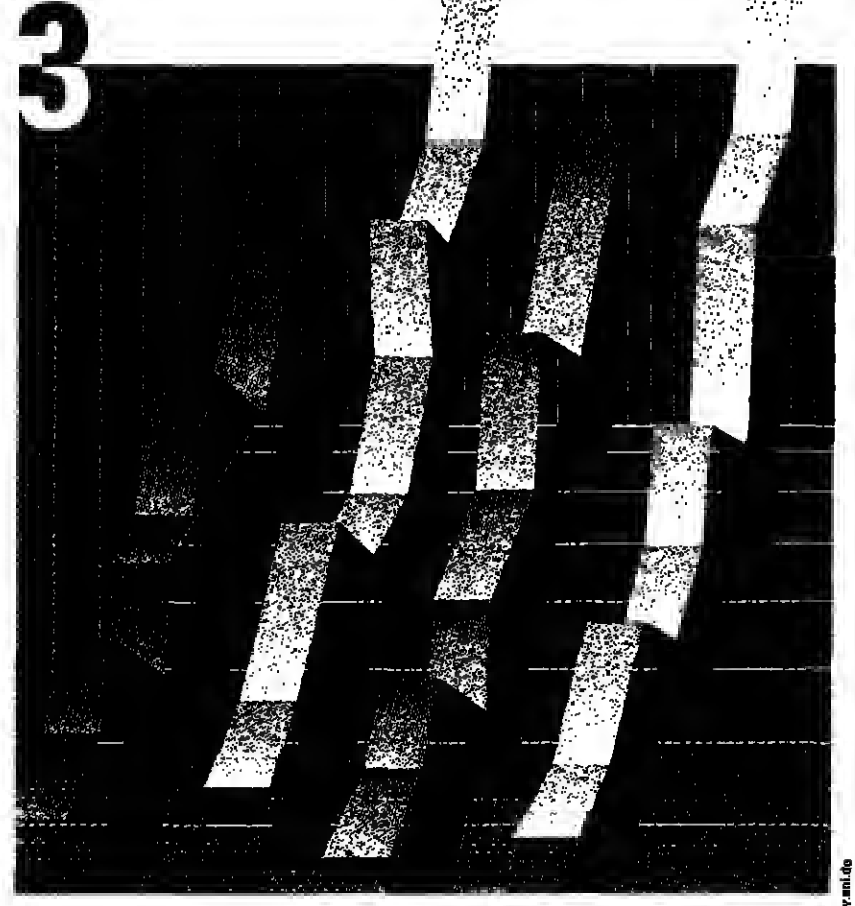
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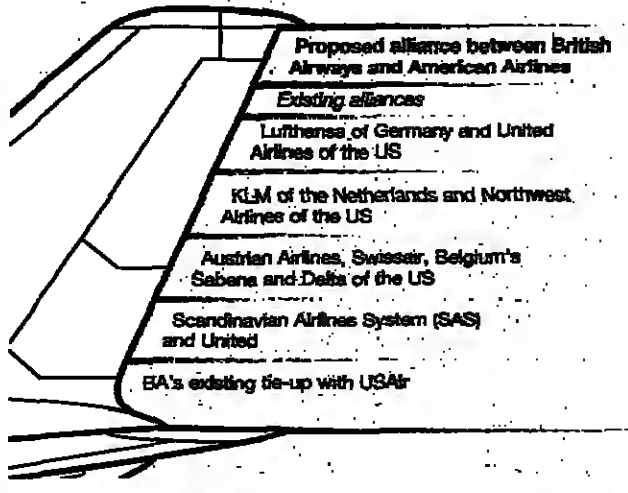
Siemens Nixdorf: User Centered Computing

NEWS: WORLD TRADE

Brussels airline probe faces squally skies

Commission's inquiry into transatlantic link-ups is setting off on an uncertain flight

Under a cloud, EU probes into transatlantic tie-ups



Competition watchdogs in Brussels are notorious for working in lofty isolation. So the joint investigation into transatlantic airline alliances launched this week by Mr Karel Van Miert and Mr Neil Kinnock, the competition and transport commissioners, is a striking break with tradition.

So, too, are the reasoning underpinning the investigations and the methods chosen to pursue them. Largely untested by the European Union, they could invite a bruising confrontation with member states, ever suspicious of Commission attempts to expand its formal treaty powers.

It is uncertain, however, whether this muscle-bearing is a bold gambit by Brussels regulators to get ahead of rapid structural change in the airline sector - or a desperate attempt to avoid being left behind. Airlines on both sides of the Atlantic suspect the latter.

Commission's inquiries. The industry believes that deal posed a dilemma for Brussels because it was so much bigger than previous ones. If the Commission had failed to act, it could have undermined its case for vetting any alliances in the sector - and its claim to play a part in shaping the regulatory environment in which they will operate.

important consideration after last month's decision by the Council of Ministers to give the Commission the mandate it has eagerly sought to negotiate with the US on "open skies" arrangements on behalf of the EU.

anti-trust exemption to transatlantic alliances unless European governments opened their markets to US carriers. But to establish its right to intervene the Commission has had to resort to imaginative - some say over-ambitious - interpretation of EU policy and law. The treaties give Brussels an explicit remit only to vet airline competition within the EU. Though the Commission thinks that may be affected by the alliances, it also wants the right to examine transatlantic competition and access by European carriers to the US market.

It has invoked Article 89, an obscure and vaguely worded treaty provision which, Brussels says, empowers - indeed, requires - it to act against infringements not caught by Articles 85 and 86, the EU's main weapons against restrictive practices and mergers. But Article 89 has been so rarely used that no formal procedures exist for applying it.

Several challenged in the European Court Brussels' use of an equally untried treaty article in the 1980s to open state monopolies to competition. Though the Court sided with Brussels in the end, the case took months to decide. It is unclear how the EU's investigations will mesh with those by national authorities, and what will happen if their conclusions differ, particularly as Article 89 requires them to co-operate. Britain's Office of Fair Trading is considering asking the Monopolies and Mergers Commission to investigate the BA-American deal.

Equally controversial is the Commission's decision to investigate existing alliances, some as much as seven years old, which it failed to challenge at the time. It argues that while, individually, they gave no grounds for concern, cumulatively they have led to market concentration which raises fresh competition worries.

Some alliance partners are likely to argue that, having failed to intervene earlier, the Commission's watchdogs are now trying to turn the clock back.

It is also unclear what action Brussels could take if it found some link-ups anti-competitive after they have been in operation for years.

The one certainty is that the Commission is playing for high political stakes, presumably because it judged it had no alternative. If it wins, it will establish important new precedents and powers. But if it loses, it risks a bloody nose.

Independent legal experts say that while that view may be justifiable in theory, it has

Guy de Jonquieres, Michael Skapinker

WORLD TRADE NEWS NEWS DIGEST

Investors shy of Asean region

South-east Asian economies are no longer attracting as big a share of foreign investment in Asia, an Asean conference on regional investment was told yesterday. The Association of South-east Asian Nations (Asean) - which includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam and Brunei - must implement an Asean investment Area to shore up foreign investment, the group's secretary general, Mr Ajit Singh, said. Asean's share in total foreign direct investment flows to Asia dropped to 31 per cent from 52 per cent between 1991 and 1994, he said.

Reuter, Kuala Lumpur

Boost for Canadian lumber

Canadian lumber exporters have achieved a long-awaited breakthrough with a decision by Japan's construction ministry to accept Canadian grading standards. The decision is expected to ease red tape significantly for suppliers of so-called "2x4" planks which are the staple material for building of wooden houses.

Bernard Simon, Toronto

'Rights' barriers condemned

Mr José Angel Gurria, Mexico's foreign minister, in Singapore for two days, yesterday cautioned against using environment and labour rights as "spurious" excuses to keep out cheaper goods produced by competitors from developing nations. He said that these issues were better left to be dealt with by such bodies as the International Labour Organisation.

AP-Dow Jones, Singapore

Zimbabwe suspends new tariffs

Zimbabwe yesterday suspended new tariffs introduced this week aimed at protecting local industries from cheaper imports flooding the market. Mr Herbert Murerwa, finance minister, said. He said the government was suspending the tariffs to allow further consultations with its partners within the 12-nation Southern African Development Community. The tariffs, which followed years of intensive lobbying from local companies, raised import duty on goods including textiles, clothing and batteries.

Reuter, Harare

Austrian energy giant OMV said yesterday it had acquired 31 petrol stations in Hungary from Kuwait Petroleum Company. With the acquisition of the filling stations, operating under the Q8 name, OMV increases its market share in Hungary from 5 to 9 per cent.

AP-Dow Jones, Vienna

Cuba to press for Lomé-style trade access to EU markets

By Canute James in Bridgetown

Cuba is seeking a trade agreement with the European Union which will give it access to preferential markets similar to that enjoyed by the 70 countries of the African, Caribbean and Pacific (ACP) countries.

Cuba is granted trade preferences. "We are the only country in the Caribbean which is not a beneficiary of a trade treaty with the European Union," Mr Bolland said in Barbados, where he is observing this week's summit of the Caribbean Community (Caricom).

important consideration after last month's decision by the Council of Ministers to give the Commission the mandate it has eagerly sought to negotiate with the US on "open skies" arrangements on behalf of the EU.

Malaysia eases line on telecom mergers

By James Kyng in Kuala Lumpur

Malaysia, in a surprise policy reversal, is to stop trying to force mergers in its telecommunications industry and will instead allow free competition to rationalise the sector.

arbitrary way in which the government decided which company could keep its licence and which could not. The share price of Telekom Malaysia - which was never in danger of losing its licence - fell 30 cents to M\$22 as it became clear that the former state monopoly would face five competitors for longer than expected.

India oil price rise prompts wide protests

By Mark Nicholson in New Delhi

Indian industry, trade associations and politicians, including some from within the coalition government, yesterday attacked the United Front for sharply raising administered fuel prices, as economists warned the move would help push inflation towards double figures within months.

mainly leftwing or "social justice" component parties - was emphasised by the CP(M), which has been highly influential in determining UP policy. It warned that the coming budget "must display an alternate approach to resource mobilisation" than the fuel rise, which it said hurt farmers and the poor hardest.

BOMBER KILLS 21 IN TAMILS' FORMER STRONGHOLD

A Sri Lankan minister responsible for rebuilding the former Tamil rebel citadel of Jaffna narrowly escaped assassination yesterday but 21 others died in the kamikaze-style attack directed against him, officials said, Amal Jayasinghe reports.

the heart of the northern town of Jaffna, officials said. Mr de Silva went on state radio within hours of the attack and vowed to press ahead with an ambitious plan to rehabilitate Jaffna, wrested from Tamil Tiger control after a series of military operations began in October. "I will not be deterred by this attack," he said.

Jaffna's long road to rebirth

The only thriving business in Jaffna is run by elderly men filling out compensation claims for war damage. Three men sit outside the bombed hospital in the town helping the less literate write petitions to qualify for government rehabilitation aid.

powerful electricity generating station in Jaffna and had already sent two engineers to make a preliminary study, Mr Gunadheera said.

No amount of fiscal incentives is enough to attract foreign investors while the Tamil Tigers are able to carry out terrorist attacks that destabilise the country

control and the authorities have only a handful of ships to ferry food and other essentials from the capital, Colombo, 400km to the south.

stepped up military action against the Tamil Tigers. "The main reason for the escalating expenditure is, of course, the war. For the year 1996 we had budgeted for a sum of Rs380m for military expenditure," he said.

ASIA-PACIFIC NEWS DIGEST

Chinese deficit down on target

China's central government budget deficit in 1995 was slightly lower than projected, Mr Liu Zhongli, minister of finance, said in a statement on last year's final budget to the standing committee of the National People's Congress, China's parliament. Mr Liu, quoted by the official Xinhua news agency, said revenues in 1995 were up 11.2 per cent over the previous year, totalling Yn386.7bn (\$46.5bn), while expenditure rose 9.3 per cent to Yn329.9bn, resulting in an overall deficit of Yn56.8bn - Yn58bn less than projected. However, the level of government revenues remains low when measured as a proportion of gross domestic product. In 1995, revenue raised by the central government amounted to less than 7 per cent of GDP.

Suharto health fears hit currency

The Indonesian rupiah tumbled against the dollar yesterday, following reports that President Suharto was suffering health problems, underscoring the sensitivities surrounding the succession to a man who has governed for 30 years. Mr Suharto, 75, is due to fly to Germany tomorrow for treatment.

Cash boost for Bangkok bank

Thailand's troubled Bangkok Bank of Commerce, taken over by the government in May after piling up more than \$8bn in doubtful loans, will receive a capital infusion of \$1.6bn in a plan to save it from collapsing. Half will come from an issue of 2bn new shares and the rest from a five-year convertible debenture issue.

New Zealand's 'kingmaker' rejects claims of a threat to stability

By Richard Adams in London and Terry Hall in Wellington

Mr Winston Peters, leader of the New Zealand First party and possible kingmaker after October's general election, yesterday rejected foreign investors' fears that his party's policies could threaten the country's economic stability.

the key Reserve Bank legislation which sets rigid inflation targets. Mr Peters' party favours widening the inflation band from a set 0.2 per cent to a flexible one set below that of New Zealand's leading trading partners. Earlier this month the Reserve Bank alarmed markets by announcing in its six-monthly report that the target would be breached.

before NZ First began rising in the polls." Mr Peters said he was willing to consider a coalition with any of the other parties. "NZ First is the only consistent party that has said it is willing to talk to anyone, without preconditions."

support following a series of public setbacks. He was ordered to pay NZ\$50,000 (\$34,000) in damages on Wednesday in a defamation action brought by a businessman. Mr Peters has also been criticised in parliament by the head of New Zealand's serious fraud office, over comments made at the inquiry into the corporate use of the tax-free status of the Cook Islands.

will have to woo one of the other main parties to stay in power. NZ First would make an unlikely partner. Mr Peters was a National MP and cabinet minister before he walked out in 1993 to form the populist NZ First, whose policies include a sharp cut in immigration.

has robustly rejected these overtures. Political observers say that if Labour backed National before the election it would lose votes from its traditional supporters. The suggestion of a coalition is thought to have sparked last month's failed leadership challenge from Mr Mike Moore, the former Labour prime minister.

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Hopes of UK-Argentine co-operation underlie consortia's licence applications

Six groups bid to seek Falklands oil

By Jimmy Burns in London and Matthew Dorman in Buenos Aires

Six international consortia have bid for oil exploration licences in disputed waters off the British-owned Falkland Islands, on the apparent understanding that there will be a share co-operation between neighbouring Argentina and the UK.

Those bidding include a consortium led by Laspco, a joint venture involving British Gas and the Argentine oil company YPF; a partnership between the Dutch Shell Exploration BV and the Italian company Agip; the UK-based Amarada Hess and Destra, a UK-registered company which has the former governor of the Falkland Islands, Sir Rex Hunt, as one of its main shareholders.

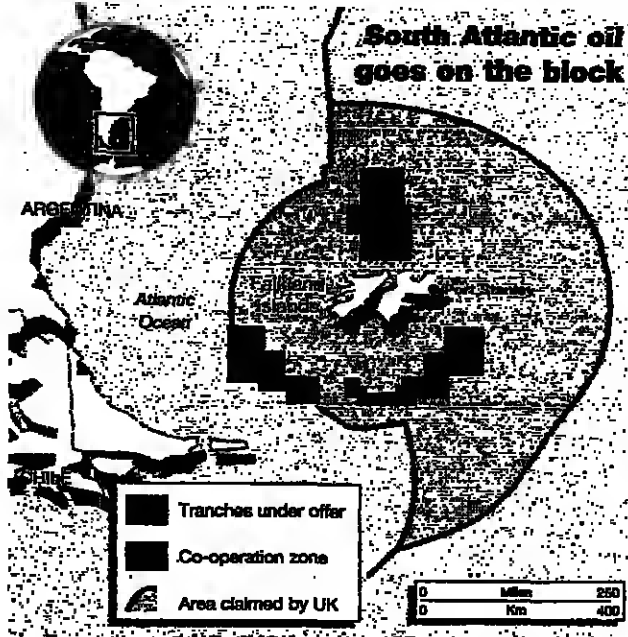
The bidding groups comprising 14 companies have applied for licences in 10 of the 19 geological tranches on offer - each comprising a number of blocks - over an area of 44,000 sq km north and south of the islands.

Mr Andrew Gurr, the chief executive of the Falkland Islands government, described the bids as an "encouraging response" to the oil licensing round officially launched in October last year.

However the oil industry yesterday remained cautious about oil prospects in the area and insisted that the bids had been made on the basis that Buenos Aires and London would agree to co-operate in future exploration.

Mr Andrew Crouch, general manager for corporate affairs at Laspco, said last night: "This remains a high risk area which has generated quite a lot of interest. It is too early to talk of an oil bonanza. But the basis on which we are making our investment is that there will be an agreement between the UK and Argentina."

The bids will now be subject to analysis by the British Geological Survey in Edinburgh,



which will advise the Falklands government of the feasibility of the proposals.

The government plans panel interviews with bidding consortia in London next month, and hopes to be in a position to award exploration licences before the end of the year.

The government's oil licensing administrator in London, Mr John Martin, said the government hoped bids would be awarded in time to permit exploration to begin in early 1997.

London and Buenos Aires have over the past year been trying to avoid letting the oil issue undermine the commercial and diplomatic relations which have been improving since the two countries went to war over the islands in 1982.

The Argentine government last year told oil companies they would have to pay a levy of up to 3 per cent of any oil revenues extracted from waters around the Malvinas, as Argentina calls the islands. Nevertheless, Argentina and

the UK subsequently reached an agreement on oil exploration co-operation, emphasising the economic benefits from oil that might be shared by both countries.

Under the agreement reached in New York, a joint Anglo-Argentine commission will supervise exploration and revenue-sharing in the so-called Co-operation zone. This is an area south-west of the islands, covering waters that are partly indisputably Argentine, and partly claimed by the UK.

The Argentine government dropped an earlier threat to take legal action against oil companies in Falkland waters after considering the negative impact this might have on future foreign investment.

London and Buenos Aires have instead reached a tacit agreement enabling each country to collect royalties from oil exploration from disputed waters while officially denying the right of the other side to do so.

Argentina plans nuclear sell-off

David Pilling on a bill intended to secure funding for a new plant

Many third world countries have privatised their clapped-out telephone systems, ageing electricity grids or run-down sewerage works. But none has attempted what Argentina is about to do - hang a "for sale" sign above its nuclear industry.

Congressmen last month began to debate a controversial bill to privatise two working power stations and one unfinished plant, the core of Argentina's nuclear programme which was begun in the 1950s and on which the state has lavished billions of dollars.

But the state has run out of cash. The reason for the sale is to get the private sector to fork out the estimated \$600m-\$700m required to finish Atucha II, a 750MW plant that has since 1981 swallowed \$2bn of taxpayers' money, but has yet to produce a single therm of energy.

"This is not a privatisation whose objective is to earn the state a lot of money," says Mr Augustin Blanco, former president of Nucleoeléctrica Argentina, a body created to run the plants in the lead-up to privatisation. "The fundamental objective is to finish Atucha II."

In spite of opposition from environmentalists and some politicians, legislation required for the sale - bulldozed through committee stage in June - stands a fair chance of approval by the Peronist-dominated Congress.

The outcome of the privatisation itself is less clear.

Any private group that agreed to finish Atucha II, located 100km north of Buenos Aires, would also be given the operating concession for two working nuclear plants, the ageing Atucha I and the more modern Embalse. Cash flows from these two plants, which account for 14 per cent of Argentina's energy consumption, would theoretically pay for Atucha II's completion.

Private operators are believed to be interested in an operating concession for Embalse, an efficient Canadian-designed 648MW plant commissioned in 1984. But most companies are more reticent about operating the older Atucha I, a 340MW plant that has been churning out nuclear energy for two decades.

Atucha I, designed by Siemens of Germany to meet the government's requirements for a heavy-water plant fuelled by natural uranium, uses technology unknown outside Argentina. Furthermore, the facility requires a refit to prolong its life by another 15 years, at a cost estimated by the government at \$15m-\$20m, but at much more by several private-sector experts.

"The [Atucha] reactor technology is somewhat unknown, which will make the privatisation more difficult," comments an executive of a foreign nuclear group. Private companies are being asked to take on a "job lot" of three very different projects at varied stages of their useful life, he says. "I can understand a

potential operator being put off."

Argentina, however, has resisted pressure from potential bidders, including companies from Canada, the US, Britain, France and Spain, to offer the plants separately. Without the sweetener of Embalse, the Atucha plants could prove impossible to sell. "The two working plants will generate cash flow to finish Atucha II," says Mr Blanco. "That is the whole point of the privatisation."

Persuading a single consortium to take on three quite separate projects is only part of the battle. Argentina must also develop a formula that limits the private operator's liability for accidents, decommissioning and eventual disposal of fuel. The extent of such liabilities could be determined by environmental legislation passed 30 years from now.

The aborted first attempt to sell nuclear plants in the UK - the only other country to embark on nuclear privatisation - failed, says Mr Blanco, "because the government did not properly evaluate the risks being transferred to the private sector. The British experience

taught us to pay more attention to this fundamental question."

Argentina's bill, drafted after receiving advice from Kleinfelt Benson, First Boston and the local Banco General de Negocios, stipulates that the private operator take out insurance to cover nuclear accidents up to \$30m. Above this amount, the state would pay. The operator would also contribute to a fund over the life of the reactors which would be used by the state for their eventual decommissioning.

If future technology or legislation made decommissioning more expensive than envisaged, the state would pay the additional cost. "The same mechanism would be used to finance disposal of high-level waste. In each case, a limited financial burden would be transferred to the private operator, but the state would maintain ultimate responsibility."

The difficulty with the solution, admits Mr Blanco, is "the more costs we unload on the private operator, the less we can expect to earn from the privatisation." Argentine legislators might find it hard to explain to a nationalistic public why Latin America's most sophisticated nuclear industry was being sold off for a pittance.

Objections to introducing the profit motive into such a controversial sector also run deep. "The nuclear industry can't be determined by supply and

demand," says Mr Rafael Cambareri, a Radical deputy. "It's a very dangerous industry that, with just one mistake, can cost the lives of millions."

"It doesn't make any difference whether the state or a private operator is running the plants," argues Mr Blanco. "What guarantees safety is having an effective regulatory body."

The debate has been muddied further by articles in the privatisation bill which establish the legal framework for the creation of a dump for high-level nuclear waste. Claims by opposition politicians that the government intends to establish a site in Gastre, in the Patagonian province of Chubut, sparked angry marches last month throughout the region. "We don't want Argentina turned into the world's nuclear rubbish heap," says Mr Cambareri, who represents Chubut in Congress.

The government shows signs of backing down on this point, but some officials say nuclear privatisation would be impossible if potential operators cannot be guaranteed a site for disposal of high-level waste. "Sooner or later the country is going to have to face up to this subject," says Mr Blanco.

Whether this and other objections will be enough to derail the privatisation is not yet clear. "No one can predict whether this sale will be successful or not," says Mr Blanco. "But there's a good chance we'll pull it off."

Suspected Mexican rebel leader held

By Leslie Crawford in Mexico City

The leader of a radical peasant organisation in Mexico has been arrested and charged with sedition in connection with the emergence of a new guerrilla group in the western state of Guerrero.

Mr Hilario Mesino Acosta, leader of the Southern Sierra Peasant Organisation (OCS), was jailed at a detention centre in Acapulco after being arrested outside his Mexico

City home on Wednesday, his family said yesterday.

The state government of Guerrero confirmed Mr Mesino's arrest. Officials said they suspected his militant organisation was behind the self-styled Popular Revolutionary Army, which made its first public appearance at a small hamlet in the mountains north of Acapulco last Friday.

The OCS and the leftwing Revolutionary Democratic party were holding a ceremony in memory of 17 peasants

killed by police a year ago, when masked men and women, dressed in green fatigues and armed with AK-47 rifles, appeared, read a manifesto calling for the overthrow of the Mexican state, fired shots into the air, and disappeared into the hills again.

The death of the alleged guerrillas has not upset Mexico's financial markets this week. The peso has remained stable, while trading on the stock market has been lacklustre.

Investors said they did not believe the new guerrillas posed a serious military threat.

Their uniforms looked new and well-pressed - not the attire of insurgents who have slogged through in the jungle for months. They were carrying walkie-talkies and expensive weaponry, which are easily obtainable in Guerrero thanks to the presence of drug-traffickers.

According to anti-narcotics agents, Guerrero, and the adjoining states of Jalisco,

Michoacan and Nayarit, form the hub of illegal drug production in Mexico.

Guerrero is thought to be Mexico's biggest producer of marijuana and the heroin poppy. Like most drug economies, Guerrero has been flooded with money and weapons, while the police and the army cannot be trusted by central government.

There is speculation that drug traffickers could be financing the armed group to divert the army's attention.

Tight race for Ecuador presidency

By Sarita Kordell

In an election which appears too close to call, Ecuadorians are to choose on Sunday between Mr Jaime Nebot, leader of the pro-market Social Christian party, and his populist rival, Mr Abdalá Bucaram.

Mr Nebot is holding a slim 4-7 point lead over Mr Bucaram in opinion polls ahead of the second-round run-off of the presidential election.

Mr Bucaram of the Roldosista party has been courting the poor, while Mr Nebot has tried to soften his market-oriented, authoritarian image

with promises of housing and other social benefits.

Foreign investors, as well as a high proportion of Ecuadorian businessmen, are backing Mr Nebot in the expectation he will go ahead with economic liberalisation and privatisation programmes. Uncertainty about Mr Bucaram's economic policies was reflected in currency and bond trading last month.

After the first round of the election in May, narrowly won by Mr Nebot, Mr Bucaram forged ahead in the polls. But his belligerent outbursts and showmanship appear to have

hacked and Mr Nebot has gained ground rapidly in the last three weeks.

Some 20 per cent of electors are still regarded as undecided, but Mr Santiago Nieto of the polling group Informe Confidencial says he believes these votes will be distributed fairly evenly between the candidates, abstentions and void ballots.

The winning candidate takes over the presidency from Mr Sixto Durán Ballén on August 10 for a four-year term. No party has a majority in Congress and the next president's first task will be to build a political alliance to govern.



Nebot: ahead in polls

Miners block Brazil gold-digging

By Jonathan Wheatley in São Paulo

A dispute between wildcat miners and Companhia Vale do Rio Doce (CVRD), the Brazilian government-controlled mining giant, has stopped exploration at what is set to become Latin America's biggest gold mine, and at least one contractor is preparing to abandon the site.

Three hundred wildcat miners, known as garimpeiros, occupied the find at Serra Leste in the northern state of Pará on May 3. CVRD said yesterday the occupation had cost the company and its sub-contractors R\$5m (US\$5m) and one

of 13 drillings would close next week when its operator, Geosol, left the site.

The occupation began after CVRD announced the discovery of deposits containing at least 150 tonnes of gold in February.

Garimpeiros who had previously worked nearby at Serra Pelada, an open mine famous for its lawlessness and scene of one of the century's biggest gold rushes in the 1980s, claimed rights to the find. They occupied the site and prevented CVRD and its contractors from drilling.

Equipment has been seized. 11 CVRD employees kidnapped

last week were released after signing promises that the company would cease operations. The garimpeiros' demands include 30kg of gold for each of 22,700 former miners at Serra Pelada, or 681 tonnes.

"We have had many, many legal disputes with garimpeiros from Serra Pelada and CVRD has won them all," said Mr Luis Carlos Nepomoceno, general manager at the site. Last week a Pará state court ruled that the garimpeiros must leave and pay fines of R\$600,000. "Now we are waiting to see what moves the court will take to enforce its ruling," he said.

Mr Nepomoceno said the garimpeiros had blocked access to the site and to a shantytown housing 6,000 people, many of them former miners at Serra Pelada.

Inhabitants had received death threats aimed at preventing them from taking jobs at the new mine.

"The climate is very tense," he said. "It is very difficult to negotiate because the garimpeiros have no leaders, they are very chaotic."



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NEWS: INTERNATIONAL

THE SUMITOMO AFFAIR

Why Mr Copper chose British provincial team

Robert Thomson and Clay Harris talk for the first time to the men who Sumitomo turned to for discretion

Now resident in Monaco for tax reasons, Mr Ashley Levett and Mr Charlie Vincent are keen to portray themselves as good British corporate citizens. They say they have paid their taxes, personal and company, and been subject to "just about every regulatory authority".

Just about every regulatory authority in the world of commodities is now taking an active interest in the company they created, Winchester Commodities, and its role in the meteoric career of Yasuo Hamanaka, Mr Copper, dismissed for losing Sumitomo Corporation \$1.8bn in unauthorised trades.

Riled by media suggestions that they are "playboy nobodies" who, inexplicably, came to handle almost 50 per cent of copper trades for the powerful House of Sumitomo, they want to explain how a commodity trader based in provincial England became a natural ally for the star copper trader in Tokyo.

"Why did Sumitomo and all these other companies trade with this tinpot company... it's this small company, blaah," says Mr Levett, the irony lifting his voice an octave higher. The short history is that he was vice-president of the London metals broking arm of Drexel Burnham Lambert, the US house which went bankrupt in February 1990 after the collapse of the junk bond empire created by Michael Milken.

His speciality was trading copper futures, one of the first on the London Metal Exchange to do so "in volume". He left to join a broking company, DLT Commodities, established by Mr David Threlkeld, a former client but now an adversary.

Mr Threlkeld, now based in Vermont in the US, has been a rich source of information about Winchester in the days following the Sumitomo revelations last month. It appears the two men fell out over pay and the management of DLT, prompting Mr Levett to form Winchester, based in the British city of the same name.

Mr Levett's experiences had given him firm ideas about the desired shape of the new company. "First of all we decided that we needed lines of credit. The business was changing and we thought that we would then get a banking partner. In the aftermath of the tin crisis in 1985 there was very little capital spread around

'I think what he liked about us was that we'd make a price and he knew he could deal. Bang, he would deal...'

the LME. In terms of paid-up capital, I think the highest capitalised company on the LME at that time was about \$20m, which was Rudolf Wolff."

The way around this limit was to bring in Crédit Lyonnais Rouse, commodities arm of the state-owned French bank. "We had Crédit Lyonnais [Rouse] there as, if you like, our banking partner and then we started in the business... we



CHARLIE VINCENT

Winchester's origins

- 1988-89: Levett leaves Drexel Burnham Lambert to work for David Threlkeld, a former client and copper trader.
- March 1991: Levett forms Winchester Commodities after quitting DLT Commodities in dispute with Threlkeld.
- 1991: Charlie Vincent, formerly a trader at Crédit Lyonnais Rouse and DLT, joins Levett at Winchester as co-owner.
- 1991-1995: Winchester handles bulk of Sumitomo trades - 40 to 50 per cent at times.
- June 1995: Levett resigns Winchester directorships and moves to Monaco.



ASHLEY LEVETT

gave them the documentation on the companies and quite often they would meet clients with us. We'd send clients into their offices, they'd travel with us."

Another priority in putting together Winchester, he says, was to ensure that it would be difficult for competitors to know who was behind the orders, giving their clients the market advantage of anonymity. "The LME has quite a history of lack of confidentiality. Because of our market position, we were in a position where a client could enjoy a contractual obligation from a first class bank and have the ability through an off-market house to remain invisible. So when any client traded through us, the brokers couldn't see who was conducting the trade."

With the structure in place, Winchester began the courting of Sumitomo, which had used DLT Commodities, among other companies, for copper trades. The Crédit Lyonnais Rouse connection was crucial - Charlie Vincent had worked there as a market maker in 1988 and CLR had cleared deals for DLT, continuing to do so after Winchester was established.

"I joined in June/July 1991 and naturally one of my first business trips after that was to go to Tokyo to see Sumitomo Corporation to establish some trading lines with Crédit Lyonnais Rouse, which we did," Mr Vincent said.

The courtship began slowly. "This unique relationship - the introducing broker format - took some time for the Japanese culture to really digest and understand. We made clear Crédit Lyonnais Rouse are the principals of all Winchester's client base." Vincent was impressed by Mr Hamanaka and was convinced that he is honest. "They are also adamant that he was not a 'rogue trader' and that Sumitomo executives were aware of the Hamanaka strategy - controlling much of the LME's physical copper stocks, around which he built a complex network of derivatives deals."

"Whenever I did a business trip to Tokyo and arranged a meeting with Sumitomo, I was instructed to meet on the third floor and taken around the trading desk and introduced to a lot of Japanese people, and then we'd go and sit down and have a meeting," Mr Vincent recalls.

But Mr Levett suggests that even Winchester was unaware of the extent of Sumitomo's exposure. He said Mr Hamanaka had "16 different (credit) lines around the market place" and estimates that Winchester was handling about 40 to 50 per cent of the Sumitomo trades.

Mr Vincent says he wants to do charitable works: 'There's a misunderstanding of who we are as people'

Chinese traders were apparently less sophisticated. Mr Vincent recalls visiting the Shanghai office of the state-owned China International Trust and Investment Corporation in the early 1990s, when they had "pieces of paper stacked up and four guys sitting there with a bunch of phones and pencils, trading options, selling options on the LME."

That same Shanghai office was blamed for losses of more than \$40m in 1994, when the Beijing-based parent took control of its derivatives deals after realising that the traders had left the company exposed. The leading counter-party brokers in that case were Crédit Lyonnais Rouse, and two US investment banks, Lehman Brothers and Merrill Lynch.

"The Chinese were becoming very aggressive traders in the market, but not very successful... they traded sophisticated markets with limited sophistication. These small trading companies appeared to put a trader in a position to trade in which he had no experience," Mr Levett says.

Mr Levett and Mr Vincent have entered the realm of new experience over the past month, when Winchester's role in everything from the Sumitomo affair and the colourful details of their alleged high living have become the stuff of sensational coverage. This, they admit, has been bad for business.

"Obviously the press hasn't been great for our business. We've had clients who have closed accounts with us," Levett said. He said that both remain active in the company, despite the distance of their domicile, and regularly discuss strategy with their staff.

Mr Vincent says he was taking a lower profile to spend more time with his family and do charitable works: "There's a huge misunderstanding of who we are as people."

Fund for Africa to be launched

By Carole James in Barbados

The Commonwealth is to launch a development fund for Africa in London next week with an initial \$20m to invest in companies which are being divested and expanded.

The fund has been organised by the Commonwealth Secretariat and will be followed by others for the Caribbean and for India. Chief Knuka Anyaoku, the Commonwealth secretary general, said in Barbados yesterday.

Seed capital of \$25m has been provided by the Commonwealth Development Corporation, a British organisation which provides development capital and investment finance for projects in several countries.

The CDC will manage the fund. The rest has been raised in Commonwealth countries including Singapore, Malaysia, Brunei, South Africa and Zimbabwe. More money for the fund will be raised on international financial markets.

The Africa fund, like the others which will follow, will be operated commercially, and is not regarded as aid to the African countries, officials of the Commonwealth Secretariat said yesterday.

The fund will be used for companies which are viable, and not to support ones which lose money. The fund will concentrate on small and medium-sized private sector businesses, and will make initial investments of between \$2.5m and \$3m.

The launch of the fund in London will coincide with the visit to Britain of President Nelson Mandela of South Africa, Chief Anyaoku said.



Anyaoku: more funds to follow

Anglo American fires 28,000 wildcat platinum strikers

By Roger Matthews in Johannesburg

All 28,000 underground workers at the world's largest platinum mine in South Africa have been sacked after defying a court order to return to work.

The final 7,000 miners were dismissed yesterday, following similar action against 21,000 men earlier in the week. Anglo American Platinum Corporation, which owns the Rustenburg mine 100 miles north of Johannesburg, said the total loss of output was costing it \$13.5m (\$3.1m) a day.

The strike, which started last week, is unofficial and has been condemned by both management and the National Union of Mineworkers. Mr Kgalema Motlanthe, general secretary of the NUM, said the strike was being led by non-unionised miners. "They are a self-elected group and are severely intimidating our members who wish to return to work," he said.

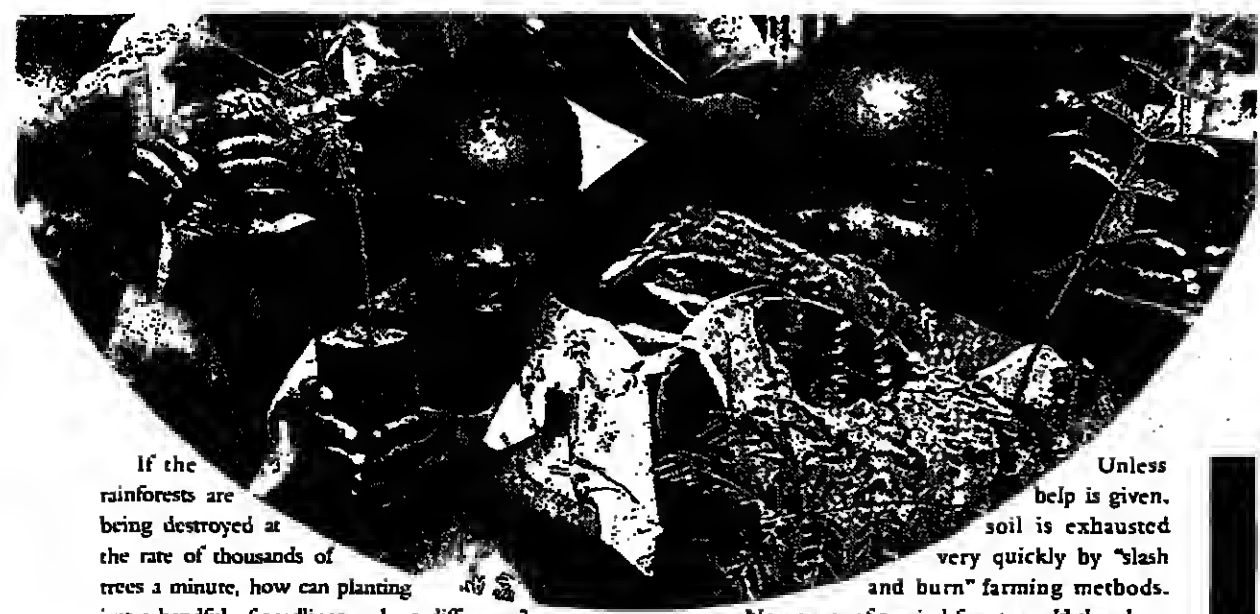
Management and the NUM also agree that the demands of the strikers are impossible to meet. These include the repayment of income tax deductions, the return of contributions to the death benefit scheme, and, most bizarrely, the full payment of death benefits to the entire workforce.

Management has said it would be willing to re-employ most of the strikers if they go back to work almost immediately. However attempts at negotiation, including the intervention of the ruling African National Congress, failed to make progress.

The dispute is believed to be causing growing concern to the government, which has put great emphasis on introducing sophisticated labour legislation designed to prevent wildcat strikes.

At the root of the problem appears to be an agreement by management two months ago to refund miners' contributions to their pension fund, following a five-day stoppage. A company spokesman said they had resisted the demands because refunds were not in the best long-term interests of the workers, but eventually succumbed.

Representatives of the unofficial strike committee repeated yesterday there was no question of a return to work without a full payment "of what is rightly our money". If there is no softening of this stance, management is expected soon to begin ejecting the strikers from the hostels in which they live, in order to begin recruiting a new labour force.



If the rainforests are being destroyed at the rate of thousands of trees a minute, how can planting just a handful of seedlings make a difference?

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In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world.

The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



World Wide Fund For Nature (formerly World Wildlife Fund) International Secretariat, 1196 Gland, Switzerland.

FOR THE SAKE OF THE CHILDREN WE GAVE THEM A NURSERY.

Omens not good for troubled Burundi's 'African solution'

Michela Wrong holds out scant hope for an international mission to keep the peace between Tutsis and Hutus

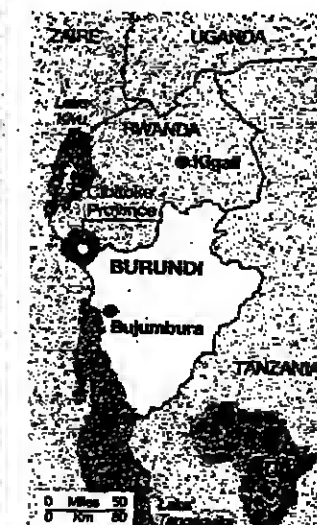
Rwanda. Somalia. Liberia. The list of recent international security operations in Africa is not an inspiring one. Yet despite this catalogue of compromise, failure and retreat, another concerted attempt to bring peace to an African troubled spot is being planned: this time in Burundi.

Given the complexity of the crisis in this tiny nation, which is the conflict between the Tutsi-dominated army and Hutu-led rebels claims a thousand lives a month, many would argue that all the elements for another botched mission are in place.

Nonetheless, the momentum behind the formation of an East African force to restore order in Burundi is looking formidable. Leaders attending the Organisation for African Unity summit in Cameroon on Monday will almost certainly be asked for their approval.



Nyerere: arm-twisting



The Mogadishu warlord. Burundi's main rebel group has already shown an unwillingness to cooperate. Suspicious of the planned intervention of Uganda, regarded as a friend of the Tutsis, the National Council for the Defence of Democracy says it would treat the peacekeepers as a hostile invasion force unless it was involved in negotiations.

More worryingly, the support of the Tutsi community is looking increasingly uncertain. The president and parliament have backtracked vigorously since their return to Bujumbura and are now at odds over what had been agreed in Arusha.

Mr Ndirwayo said the deal by his constituency by his constituency by the African force would come under Burundian command. It is as seems probable, rightist powers reject this condition, the army and Mr Ndirwayo's Uprons party may well join extremists in denouncing the accord.

Planners would then be confronted with the old, hard-nosed prospect: an intervention opposed by both the army and the rebels.

As leaders prepare for the OAU summit, another hazard is emerging. With a deployment viewed in Burundi as imminent, protagonists are under pressure. Factions are hurrying to consolidate their positions, and the likelihood of a coup has probably never been higher.

An army crackdown is already under way in the north-west Cibitoke province, a rebel stronghold. Since no aid organisations operate there, no one knows exactly what is happening. But the rush of 4,000 refugees to Rwanda and Zaire is a sign that, for the moment at least, the "African solution" to an African problem is exacerbating rather than solving tensions.

25,000 troops to be placed on standby in various countries, ready for a humanitarian intervention, aroused little enthusiasm.

A report by the International Crisis Group, an American think-tank, showed why. It estimated such an operation would cost between \$1bn and \$2bn, require 1,000 to 3,000 crack troops, and need rules of engagement more aggressive than those used in Bosnia.

Scared by their experiences of previous African missions, the US, France and Belgium have offered funding and logistical support, but not a single soldier. An African initiative, paid for and co-ordinated by the west, was all that remained.

Until recently Burundi's government had resolutely rejected outside interference. An apparent breakthrough came last month in Arusha, when Burundi's Hutu president and Tutsi prime minister together asked a regional summit for help.

Arm-twisting by Mr Julius Nyerere, the former Tanzanian president who has been chair-

ing peace talks, seemed to have coincided with a growing realisation among the Tutsi elite that the army could no longer contain the situation.

"It became clear the donors were not going to look in the other direction if a new genocide took place in Burundi," said a diplomat. "That, in addition to the deteriorating security situation, compelled Prime Minister Antoine Ndirwayo to change his position." Even with the blessing of the Tutsi community, the mission bristles with hazards.

The danger for any force going in to separate two adversaries is one of "mission creep" - the risk that, provoked by an extremist faction, peacekeepers end up taking sides and contributing to the problem rather than solving it.

It happened in Liberia, where a West African force found itself bombing towns in areas held by Mr Charles Taylor, the rebel leader, and again in Somalia, where American troops became obsessed with capturing Mr Farah Aided, the

inv



Anyaoku: more funds to follow

Kleinwo ABN AA

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Fund for Africa to be launched

This year's investment research top dogs.

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NEWS: UK

Imports' share of car market rises to 62%

By Haig Simonian, Motor Industry Correspondent

Imports continued last month to increase their big share of the British market for new cars. Their share rose to 62.3 per cent, and they captured 61.7 per cent of sales in the first half of this year.

The biggest gains were made by Volkswagen, which has seen its sales in Britain soar by 39 per cent this year thanks largely to improved supplies of the popular Polo compact hatchback.

Fiat also continued its strong product-led revival, while the group's Alfa Romeo subsidiary recorded one of its biggest improvements, albeit from a very low base.

Korean brands continued their incursion in to the UK market, with Daewoo raising its registrations by nearly 66 per cent and taking its market share for the month to almost 1.3 per cent.

Sales of luxury and executive cars manufactured outside Britain continued to advance, partly on the back of new models.

BMW's sales surged by almost 73 per cent last month, lifted by strong demand for the new 5-Series. Demand for Mercedes-Benz also proved strong thanks to the new E-Class range.

By contrast, Ford and General Motors saw their sales slip last month, while BMW's Rover offshoot, which yesterday announced the appointment of a new chief executive, suffered a very sharp fall in sales.

Its market share fell below 10 per cent last month. Mr Bernard Carey, Rover's head of corporate affairs, said the fall was regrettable, but argued that the company remained committed to its policy of focusing on margins rather than volume in its attempt to move upmarket.

"We're not unduly worried by the decline in share at the moment", he said. Total registrations of new cars from all manufacturers rose by 4.7 per cent year-on-year last month to 141,266.

That pushed registrations for the first six months of 1996 to just over 1m. It was the first time since 1990 that more than 1m new cars had been registered in the first six months of a year.

Last month's figures, which continue a buoyant trend in this year's new car sales, prompted optimism among motor industry executives about prospects for the rest of 1996.

Mr Ernie Thompson, chief executive of the Society of Motor Manufacturers and Traders, said: "After a disappointing first quarter, we have now seen three months of consistent market growth... (that) suggests that a 2m market can be achieved this year."

Some manufacturers say advance orders indicate that August should be a very good month. Sales in August are

Ford and GM lose market share

Table with columns: REGISTRATIONS OF NEW CARS, Volume, Change%, Share%, May '96, May '95. Rows include Total market, UK produced, Imports, Japanese makes, Ford group, Jaguar, General Motors, etc.

GM holds 35% of South American and has management control. Ford's Range Rover holds 31% of South American and has management control.

always high because it marks the start of a new year prefix on licence plates. Mr Chris Wilkins, an official of BMW in the UK, said: "We are looking at an increase in orders of about 30 per cent year-on-year. We suspect August will be buoyant not just for us, but for luxury cars in general."

Brittan rebukes Tories on court 'myths'

By Lionel Barber in Brussels

Sir Leon Brittan, the European Union's trade commissioner, yesterday warned the British government not to play politics with the European Court of Justice in the forthcoming general election.

Sir Leon, a cabinet minister in the Thatcher governments of the 1980s, accused Eurosceptics in the Conservative party of spreading myths to undermine the court in spite of its crucial role as an enforcer of the single market rules.

He told the party's moderate Bow Group at the House of Commons that the threat of court action was forcing the French government to let Sotheby's hold auctions in France and to recognise the qualifications of British skiing instructors. It had also forced Spain to stop blocking sales of British chewing gum, and Greece to let the UK sell lemons in Greece.

"Britain must resist the temptation to call for the court's powers to be curbed just because a handful of high-profile cases have gone against it. Such a knee-jerk reaction would greatly damage the UK's long-term interest in building a European Union based on open markets, sound money and the rule of law," he said.

Sir Leon's speech coincided with an announcement in Brussels that the European Commission will take the UK to the court for failing to implement the EU Drinking Water Directive.

The UK is also expected to lose a highly controversial appeal against an EU directive introducing the 48-hour working week.

The government has stung out the court as a target for criticism as Euroscepticism in the Conservative party has grown.

In the Maastricht treaty review conference now under way, the UK wants to limit the court's retrospective application of judgments and restrict fines to instances where there is a "serious" breach.

Sir Leon appealed to his party to retain a sense of perspective. In 1994, the Commission made 99 referrals to the court for breaches of single market rules; only one case involved the UK.

Between 1990 and 1994, only six cases were referred to the court against the UK compared with an average of 30 for each other EU country. "There are countless cases of Britain using the court to challenge subsidies used by governments to bolster their industries at Britain's expense," he said.

The commissioner added that it was a myth to suggest that the European court was a "persistent force for 'Euro-centralisation'". In 1992, the House of Lords asked the court to rule on whether Sunday trading violated EU law. The court replied it was up to Britain to decide," he said.

Europa, Page 18

UK NEWS DIGEST

Names launch suit in Virginia

LOYD'S

Lloyd's of London faced a fresh legal headache in the US yesterday as Names from Georgia, Illinois and other states sought an injunction in a Virginia court to block the insurance market's recovery plan in the state.

In the UK, however, Lloyd's received further endorsements for the plan, which includes a \$3.1bn (\$4.83bn) settlement offer to Names, individuals whose assets have traditionally supported Lloyd's.

The Association of Lloyd's Members announced it was recommending the plan. Sir David Berriman, association chairman, said it would "secure many of the objectives and concessions Names have sought".

Mr John Charman, deputy chairman of Lloyd's, has agreed to maintain his personal unlimited liability commitment to syndicate 493 on which he is underwriter. The move follows a row over the future of unlimited liability investment at Lloyd's. Mr Charman said he had been the victim of "gutierrez politics".

Ralph Atkins, Insurance Correspondent

IRA 'safe house' discovered

German police were yesterday investigating a "safe house" used by five IRA terrorists who planned the attack on the Quebec barracks in Osnabruck, Germany, last week. Three men and two women stayed in the holiday home in a village near Oldenburg from June 15, two weeks before the attack, according to a statement from the federal prosecutor.

Police found a map of Osnabruck and sketches of streets and barracks in the house, which was discovered four days ago. Police were also examining a Ford Transit flat-bed lorry, linked to the attack, which was found at a motorway service station at Wildeshausen, near Oldenburg. The vehicle, which carried the false British number plate P291 TVN, travelled with the lorry used in the attack from Cork, Ireland, to Le Havre, France, on June 22.

Police investigations are concentrating on identifying the five people who stayed at the house. They are also searching for a blue Ford Orion with Northern Ireland number plates including the letters DEZ, which was used by the terrorists. The car was spotted together with the van used in the attack near the barracks half an hour before the blast.

BT and Microsoft strengthen link

Collaboration between British Telecommunications, the UK's dominant telecoms operator, and Microsoft, the world's largest software house, strengthened yesterday with the announcement that the two companies intend jointly to market networking and on-line services to small businesses.

Two years ago BT won a multi-million pound contract from Microsoft to develop a data network in Europe and the Asia/Pacific region to distribute the US company's online information service. The new initiative will involve BT's direct sales channels and a group of Microsoft's approved dealers. The two companies argue that the combination of their networking and software expertise together with the systems skills of the dealers will provide smaller businesses with a single point of contact for all their communications needs.

Alan Cane, London

Signs of art market recovery

The long-awaited recovery in the London art market has triumphantly arrived, with a series of sales this week which have exceeded all expectations.

On Wednesday night Christie's sold works of art sent for sale by the Marquess of Bute for £10.7m (£15.6m) - well above the 5m pre-sale estimate. At Sotheby's yesterday a collection of European sculpture and works of art brought in £13.7m, with two lots selling for more than £2m.

Both sales contained high-quality antiques which appealed to serious collectors throughout the world. However, the demand for works of lesser quality was still weak.

The main beneficiaries from this week's auctions are the members of the British Rail Pension Fund. In 1974 the fund invested £40m in works of art. On Wednesday it sold 30 old master pictures for £5.8m at Sotheby's, including a Goya bull-fighting scene which fetched £2.6m. A carved gilt bronze base of a Romanesque candlestick of the early 12th century sold for £4.4m; the pension fund bought the carving for £505,000 in 1978.

Anthony Thornicroft, London

First for female ambassador

The Foreign Office yesterday announced the appointment of Miss Maeve Fort, the current UK envoy to Beirut, to head Britain's embassy in South Africa. Miss Fort, a career diplomat who has spent 33 of her 55 years at the Foreign Office, will become much the most senior woman to have been sent abroad as a British ambassador. Miss Fort has served previously in the West African department of the Foreign Office, and as ambassador until 1992 to Mozambique.

Her promotion will go some way towards correcting a perception of male domination which has been a source of embarrassment to the Foreign Office.

Only seven of Britain's ambassadors are women, but Foreign Office officials stressed that the number of female heads of mission has risen to eight from only three in 1994. The preponderance of males in the upper ranks of the Foreign Office is in part a legacy of a policy that was applied until the early 1970s, under which women diplomats who married were expected to resign.

Bruce Clark, London

Travel groups clash

Thomson Travel Group, the UK's largest holiday group, yesterday attacked the country's smaller holiday companies for making "spurious claims" that the big operators misled consumers. The attack comes just days before an Office of Fair Trading Report on the package travel industry is due to be released.

The Association of Independent Tour Operators, which represents the smaller companies, argues that independent travel agents are more likely to give unbiased travel advice than the multiple travel agency chains which are linked to the larger tour operators. Afta has also attacked the larger travel agents for making holiday discounts conditional on compulsory insurance.

Scheherazade Daneshkhu, London

BSkyB's digital plans gain momentum

By Raymond Snoddy

British Sky Broadcasting has sent out confidential specifications for the production of up to 1m digital satellite television receivers in a strong signal that it will launch 200 UK channels next year.

BSkyB wants the decoders ready to go by September next year. The order would almost certainly be worth more than £250m (£390m) at factory prices.

The company, controlled by Mr Rupert Murdoch's News Corporation, may expand the service to as many as 500 channels in the longer term.

Apart from a large number of channels the service would feature near-video-on-demand, which devotes a large number of channels to a top movie so that there are many opportunities to view.

There are no plans to choose a number of "exclusive" manufacturers - anyone who meets the specifications will be able to manufacture. BSkyB wants the new digital boxes to retail for about £200.

The company is in talks with groups such as British Telecommunications and Barclays Bank to see whether the initial retail cost of the boxes can be subsidised in return for their involvement in the development of interactive services such as home shopping and home banking.

Speaking to a forum of the UK digital TV group yesterday, Lord Inglewood, the broadcasting minister, told a forum of the UK digital TV group that Britain would be at the forefront of the digital television revolution.

"If digital is going to work anywhere in Europe it will be here," Lord Inglewood said.

British Energy valuation signalled

By Stefan Wagstyl, Industrial Editor

Fund managers yesterday made preliminary bids of 200 pence to 230 pence a share for stock in British Energy, the state-owned nuclear power company which is being floated on the stock market.

This would put a value of between £1.4bn (£2.1bn) and £1.6bn on the company, towards the bottom of the £1.2bn to £1.9bn range indicated in the sale prospectus launched last week by Mr Ian

Lang, the trade and industry secretary. The price range emerged as BZW, the stockbroker managing the issue, started collecting offers from investors around the world.

BZW estimated that the offer for institutions was "fully subscribed" at a price within the 200p to 230p range. The remaining shares have been reserved for sale at a discount to UK retail investors.

The stock for institutions is being sold by a tender offer which opened yesterday and runs until next Friday. Bidders

can amend or withdraw their bids before the close, but BZW is confident that yesterday's high will stay in place, bearing unforgiving stock market shocks. The broker said that early bids usually came from institutions which firmly intended to buy shares.

BZW also expects to sell the shares reserved for retail investors, who have until next Wednesday to apply for stock. Some 1.67m people have indicated their interest by registering at share shops, designated outlets for the stock. In the pri-

vatation of Railtrack, about a third of the 1.85m investors who registered at share shops eventually submitted bids.

However, both retail and institutional investors have greater reservations about British Energy than about Railtrack and other recent privatisations. They are concerned about possible future declines in electricity prices, the potential effects of a change of government and the long-term costs of handling nuclear waste and decommissioning nuclear plants.

Regulator slams power companies on competition

By Simon Holberton in London

The regulator of the UK electricity industry yesterday accused regional supply companies of "special pleading" and deliberately delaying preparation for full competition in 1998.

Professor Stephen Littlechild, director general of Oftec, the industry regulator, said 21m electricity consumers would want to know why the companies had failed to deliver competitive tariffs if the 1998 market opening was delayed or frustrated.

He disputed industry claims about the costs of introducing competition, and said a way forward for competition had been available for some time and that the industry should just "get on with it". Prof Littlechild was responding to criticisms by senior industry executives about the way competition was being introduced and its benefit to consumers.

Executives said they doubted whether the industry could meet the April 1998 deadline

for the introduction of competition.

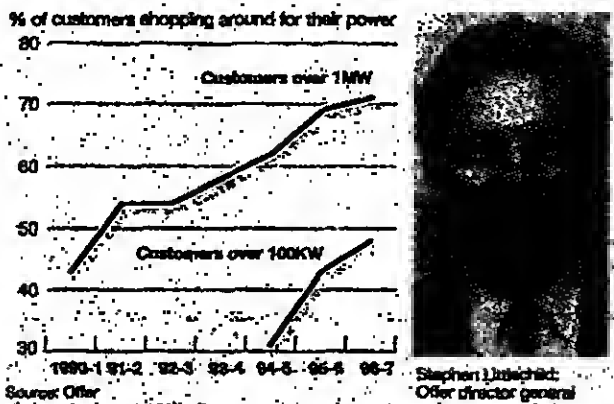
They were critical of the lack of central control over the process. Oftec's alleged failure to take a lead, and whether competition would yield any real benefits to consumers given the very narrow margins which characterise the electricity supply business in the UK.

Prof Littlechild said, however, that competition held out the real possibility of lower electricity prices. He said consumers would be able to choose from a range of tariffs, and from a number of new providers.

He was sceptical about industry claims that the costs of introducing competition were high. Industry executives said it would cost about £300m (£450) - or about £15 per customer - to put in place the necessary computer systems to enable competition to work.

He said Oftec estimated that it would cost companies about £1 a customer, or less than £30m in total, to put the necessary procedures and systems in

Competition in supply



place. "Pretty much everything is on the table," he said. "People can see what's needed to be done and they can do it. Any competent supplier should be able to do it. If not, consumers will want to know why."

Prof Littlechild also dismissed the claims by Recs that margins were so narrow that competition would bring only modest falls in prices at best.

Prices may not have as far to fall as domestic gas prices do, however. With greater competition in generation and the ending in 1996 of residual subsidies to the coal industry, there should be scope for electricity prices to fall.

He also said the regional electricity companies had more scope to reduce their own costs which should feed through to

lower electricity prices. Separately, Safeway, Britain's third largest food retailer, said it was looking at offering its customers electricity supply. It currently has 4m holders of its loyalty card.

Safeway said one option would be to act as an agent to an electricity supplier. The latter would be allowed to set up kiosks in Safeway stores to access customers and process bills, and Safeway would take a commission on business done.

The alternative would be to supply electricity directly, a riskier move but one with the promise of higher margins. Safeway would have to buy a set amount of electricity from a generator, and hope it could then sell it on.

British Airways pilots soon to set date for strike

By Michael Skapinker, Aerospace Correspondent

British Airways pilots said yesterday that they would announce the starting date of their strike on Tuesday. As they are required by law to give BA seven days' notice, industrial action could begin on July 16.

The strike could ground the BA fleet at the height of the summer season. BA has said it hoped to avoid a strike but hinted that it would bring in outside pilots to ensure its services continued. The announcement from

the British Airline Pilots' Association, a trade union, follows a 90 per cent ballot in favour of a strike by BA flight crew. Balpa says the strike is over the relatively low pay of some pilots at London's Gatwick airport and over inadequate pension provision.

BA said it was ready to have talks with Balpa. It had written to the union asking it to clarify the matters over which it differed with BA. "We can then get around the table and resolve the issues," the company said. "When we have talks is up to the

union. But we believe a strike would serve no purpose."

BA said it believed Balpa should re-ballot its members as the company had added to its original offer since the strike vote had taken place. BA said it had offered short-haul pilots at Gatwick pay increases of between 8 per cent and 10 per cent. That was in addition to salary rises of 3.6 per cent this year and inflation plus 6.8 per cent next year being offered to all staff. BA said pilots had voted before the new offer was made, adding:

"They have voted on the old offer; if the union wishes to proceed we believe it should hold a new ballot."

The additional rise for the Gatwick pilots would be conditional on an increase in flying hours from 645 hours a year to 710 hours.

The lower-paid pilots were originally employed by Dan-Air, the independent airlines acquired by BA in 1982. BA said it had reached agreement with Balpa at the time that the Dan-Air pilots would continue to be paid less. This was because Dan-Air carried debt of £108m (£160.7m) and its future was not assured.

Balpa conceded it had reached the agreement with BA but added: "That was some years ago." It said the new offer of additional pay for Gatwick pilots was unacceptable because it involved a large increase in hours flown. "We've thrown it out as a complete sham," the union said.

The union said it had written to BA saying it knew what Balpa's position was. Balpa said: "We have told BA they are wasting our time. We want to get round the table if they come up with a reasonable offer."

Parties trade insults as campaign opens

By John Kampfner and Michael Gove

The protracted general election campaign began in earnest yesterday as Mr Tony Blair, leader of the opposition Labour party, unveiled his pledges for a first term of office. He began with a vow to cut taxes and keep public spending in check.

The Road to the Manifesto, Mr Blair's personal blueprint, commits his party to radical constitutional change, tough law-and-order measures and a limited redistribution of priorities in health and education.

It is far removed from the party's manifesto at the last general election in 1992, which called for an increase in the top rate of tax, an across-the-board increase in state pensions and removal of

the ceiling on National Insurance contributions. With his shadow cabinet in attendance at the carefully crafted launch, Mr Blair said: "We have changed for good. We are not a tax-and-spend party. We are a party about investing in our future."

The Conservatives, whose attempt to parody the document backfired earlier in the week, said two of Labour's more original pledges - a windfall tax on privatised utilities to pay for youth training and diverting funds for private schools into the nursery sector - were economically unsustainable.

Mr Gordon Brown, Labour's shadow chancellor of the exchequer, accused Mr Kenneth Clarke, the chancellor, of "descending from misrepresentation to

downright deception". Mr John Major, the prime minister, served notice that the Tories would increase attacks on Labour's plans to raise up to £3bn (£4.65bn) out of the profits of gas, electricity and water companies.

Labour's plans included "taxes on Scotland, taxes on people with children aged between 16 and 18, taxes for living in London, taxes on jobs with the social chapter and the minimum wage", the prime minister told the House of Commons. "No wonder we talk of new dangers."

Tory strategists said senior ministers would embark in coming days on a co-ordinated media campaign in an attempt to pierce Mr Blair's slick operation.

Both main parties are sending credit card sized 'aide-memoires' to hundreds of thousands of voters in key marginals. The Labour card stipulated the five specific pledges which Mr Blair said he wanted to undertake as soon as he took office. The five are:

- Cutting school class sizes to fewer than 30 children for the age group 5-7.
• Fast-track punishment for persistent young offenders, halving time from arrest to sentencing.
• Treating an extra 100,000 patients in the state health service by cutting £100m (£156m) on red tape.
• Removing 250,000 people aged under 25 from state benefits benefit and into work through a windfall levy on privatised utilities.
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JOBS: US employment may be rising but not everyone is cheering, says Robert Taylor

Downsized ghost at labour market party

The flexible and deregulated US labour market model has both admirers and critics around the world. The enthusiasts point to its undoubted ability as the generator of millions of new jobs by contrast to the employment stagnation experienced in much of the European Union during the 1990s. On the other hand, its critics argue many of those new work opportunities are in insecure, low paid and unskilled jobs with no long-term future.

But the current debate about jobs in America is arousing a strong division of views inside the country itself. Mr Joe Stiglitz, chairman of President Clinton's Council of Economic Advisers, provoked sceptical surprise among European governments at this spring's jobs summit conference of the main industrialised nations with his bullish presentation of a US revival in quality employment.

His report, *Job Creation and Employment Opportunities: The US Labor Market 1989-1994*, seemed to disarm the critics. According to his data, drawn mainly from the Bureau of Labour Statistics, 68 per cent of new jobs in the past two years were found to pay above the national median and most were full-time rather than part-time, required higher educational qualifications and were in medium-sized private enterprises. Mr Stiglitz has won support for his findings from

American employers. The Manufacturing Institute, a research arm of the National Association of Manufacturers, argues that 8.4m new jobs have been created in the US over the past two years, with a rise in the average compensation (wages and benefits) for the rapidly growing workforce.

"Other industrialised countries in recent decades have done one or the other; none, aside from the United States, can claim to have done both," it says in a report, *Improving The Economic Condition of The American Worker*. "Over the past quarter century the American economy has produced an economic miracle of job creation with more than 40m net new jobs that is the envy of the industrial world while confronting an unprecedented global competitive challenge."

The business-funded Committee for Economic Development in its recent study *American Workers and Economic Change* also confirms that buoyant picture. While conceding a slowdown in job growth in industries with high average wages, it argues that trend masked "the occupational upgrading within most

industries" and employment expansion, which had been "quite strong in high-skill and high-wage occupations", with 46 per cent of net new jobs between 1983 and 1993 coming in managerial, professional or technical occupations.

At first sight, such data appears to cast doubt over the fashionable view that the US labour market is insecure and harsh and suffering from what Professor David Gordon called "the corporate squeeze of working Americans" in a new book *Fat and Mean*. The more positive picture may have brought much-needed relief to sensitive employers concerned about their bad media image, with such hostile coverage as *Newsweek* magazine's influential spring cover story on "corporate killers" and the *New York Times* series on the "downsizing of America", just republished as a book.

They can also draw some comfort from other trends in the labour market. "The few large lay-off announcements which reinforce the sense of worker insecurity are more than offset by job creation," points out the Manufacturing Institute. For example, AT&T, the telecommu-

nications group, may have announced 40,000 job losses last winter. But over the past two years alone, telecommunications created 100,000 new jobs in the US, and it has been estimated the industry's further deregulation may generate 3.4m extra jobs over the next decade or so.

Moreover, the institute also points out "the future may be on the side of the worker". The baby-boom generation, whose sheer size has served to dampen wages, has already been absorbed by the economy", it argues. "The generation now entering the workforce is roughly one-third smaller". As a result, shortages of certain types of skilled work, especially in the computer industry, are already apparent and this has "pushed wages to impressive heights".

Like Mr Stiglitz, the institute points out that "technical workers" have "witnessed the most explosive job growth". By 2000, they will represent 20 per cent of the entire US labour force and are already the largest broad occupational category.

It also questions sweeping talk about the elimination of high-paying blue-collar manufacturing employment. While 2.6m jobs appear to have disappeared from that category, 1.5m new jobs have been created in other sectors resulting from new manufacturing. Also, many support jobs, which when done directly by manufacturers were classified as manufacturing, have been outsourced and are now described as service jobs.

But even the employer research bodies admit all is not well in the US labour market. The Manufacturing Institute, for example, accepts nearly three quarters of all households have had "a close encounter" with lay-offs since 1980, while downsizing has spread from manufacturing workers to highly paid professionals who often make less in their new jobs than their old ones.

The Committee for Economic Development also acknowledges: "Job displacement has grown as premier firms have undertaken widely publicised downsizings. Workers' average real earnings have risen little during the last two decades, economic rewards are less equally dis-

tributed, the proportion of workers covered by employer health plans is falling and fewer of the unemployed are supported by the safety net of unemployment insurance." Keen to deny the picture of an uncaring and lean corporate attitude to workers, employer organisations are urging their members to adopt an enlightened approach. The Manufacturing Institute has called for a new employment contract between companies and workers, where, in exchange for "working hard to help the firm achieve success today, the employer promises to help the employee develop skills that will enhance prospects for personal advancement tomorrow".

The Committee for Economic Development agrees. "Human capital development will be fully realised only if individuals assume greater responsibility for their own career development and have the opportunities to acquire marketable skills," it argues.

None of this has done much to convince economists in the US trade unions, who take a much bleaker view of the labour market than Mr Stiglitz and the employer

research bodies. The AFL-CIO union federation points to the growing income gap between rich and poor revealed in official statistics, with a 13 per cent drop in real weekly earnings for non-supervisory and production workers between 1979 and 1995 despite a 21 per cent improvement in worker productivity over the same period.

It also casts doubt on the validity of the data used by the Council for Economic Advisers, pointing to the great variety of jobs contained in occupational categories. Managers include not only senior executives with million dollar salaries who have seen their pay grow spectacularly, but also assistant managers in retail establishments with modest incomes that have stagnated. "A rise in earnings of top income earners within an occupation and a drop in the incomes of the lowest paid does not necessarily show in the median incomes figures", argues the AFL-CIO.

Its own findings for the first quarter of this year may go some way to confirm Mr Stiglitz's analysis. Jobs paying above the median income accounted for 62 per cent of new ones created in that period, but only 9 per cent of them were in occupations with a real income gain. The AFL-CIO found only three out of the 15 occupational categories enjoyed both job gains and real income gains and this covered only 345,000 out of the 4.1m jobs created.

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Handwritten text in Arabic script: **السيد محمد**

COMPANIES AND FINANCE: EUROPE

Stena says Dover-Calais market up 14% in 1996

By Hugh Carnegie
in Stockholm

Stena Line, the Swedish ferry operator, said the market for passenger cars on the hotly contested Dover-Calais route grew 14 per cent in the first half of the year - but expressed disappointment over its own volume increases.

Stena, one of several ferry companies battling Eurotunnel on the route, said the rate of growth in total traffic Dover-Calais had been lower this year than the 20 per cent rate of 1995 and

1994. But it said the growth rate was accelerating as the year went on - though it gave no detailed figures.

Overall market growth is vital to the Dover-Calais ferry operators as they seek to meet the competition of Eurotunnel, which has taken a market share of more than 40 per cent on the route since it opened a year ago. P&O of the UK is the biggest ferry operator with a 30 per cent share, followed by Stena.

Stena warned two weeks ago that its 1996 profits would fall below last year's SKr201m (\$30.1m) surplus,

mostly because of the effects of Euro-tunnel competition.

This week it said it had urged the UK authorities to remove rules barring the ferry operators from collaborating on Dover-Calais and was interested in co-operating with P&O and other ferry companies to blunt Euro-tunnel competition.

The Swedish group - the world's largest ferry operator - said its own market share on Dover-Calais rose during the period to about 20 per cent. But it said it had expected to see greater volume growth for its own

operations than it experienced.

Stena's figures were distorted by the ending of a "pooling" agreement it had until the end of 1995 with the French operator SNAT.

Its total number of passengers on the Dover-Calais route in the first half was 2.24m, compared with its 1.8m half-share of the SNAT pool last year. Car traffic rose from 242,500 to 377,400.

But Stena has raised its own capacity since the end of the SNAT pool from three ships to five - the same number operated by the pool. Its current market share of 20 per cent com-

pared with a total pool market share last year of 28 per cent.

For Stena's operations on 15 routes around the UK and Scandinavia, passenger numbers grew 8 per cent year-on-year to 7m. Car traffic rose 10 per cent to 1.2m, while freight numbers (including trucks, containers and railway trucks) fell 1 per cent to 469,000.

There was a fall in passenger volumes of 9 per cent on UK routes excluding Dover-Calais. Stena said it had expected greater overall volume growth.

Schmitt's Escom caught out by capricious PC market

Mr Manfred Schmitt, the founder of Escom, Germany's once high-flying personal computer manufacturer and retailer, built up his business by swapping one type of keyboard for another. Now, however, Escom has become the latest victim of the fierce European PC market.

For Mr Schmitt, who came close to becoming a concert pianist at one stage, Escom's being forced this week to seek protection from its creditors must be a particularly bitter personal blow.

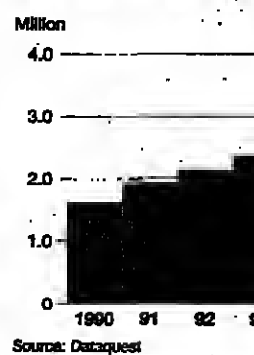
After developing his entrepreneurial skills in the early 1980s selling electronic keyboards, he founded Escom in 1986 to assemble and sell cut-price PCs for the home market.

Timing was crucial. The German PC market blossomed in the early 1990s, partly because of the influx of 17m technology-hungry east Germans. Escom grew rapidly, displacing Siemens Nixdorf, part of the German electronics group, to become one of Germany's two biggest PC retailers, alongside Vobis.

But by the time Escom sought protection from its creditors the German group had fallen victim to self-made problems and what Mr Steve Brazier, a senior analyst at market researchers Dataquest Europe described as "fairly extraordinary bad luck".

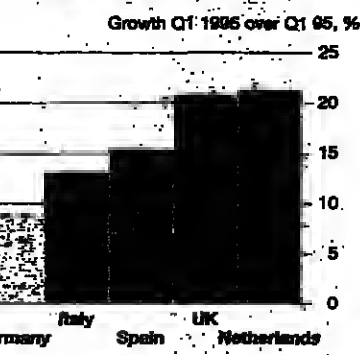
Dataquest figures show that in the first three months of 1995 sales of home PCs in Ger-

German PC sales



Source: Dataquest

PC shipments by country



Growth Q1 1995 over Q1 94, %

many - Escom's core market - were still booming. Turnover rose 63.8 per cent over the same period in 1994 while sales of professional PCs put on only 33.5 per cent growth rates which seemed paltry in comparison.

Eager to maintain sales growth, Mr Schmitt looked elsewhere. Escom began selling 9.5 glasses and Mr Schmitt even used undisclosed private funds to buy Hagenuk Telecom, the loss-making mobile phone manufacturer. Press reports suggested Hagenuk may have cost about DM60m (\$2.4m).

Escom began to expand geographically and set its sights on the UK, the second largest PC market after Germany, and one of the fastest-growing. Mr Brazier characterises Escom's decision to acquire over 200 Rumbelows shops as "the most dramatic entry a PC mar-

ket has ever seen". But the company failed to ensure it could move its stocks fast enough - in the fast-changing PC world the opportunity to sell a new PC model may last as little as six or nine months - the time it can take to become obsolete.

In contrast, Mr Brazier points out that Escom's leading competitor, Vobis, had ensured its inventory was managed properly. Vobis, like leading US-based PC manufacturers, including Compaq Computer and Dell, also adopted a "built to customer" manufacturing model enabling it to keep stocks to a minimum.

"Success comes from inventory management," Mr Brazier says. PCs, he points out, have also become rather like fresh fruit: "They have a sell-by date and if you have not sold them by then they are useless." As it happened - and Mr

Brazier admits he and other analysts were completely surprised - the German market collapsed halfway through last year, just as Escom was purchasing the 235 Rumbelows stores across the UK.

Dataquest figures show Escom's market share in terms of units sold in the fourth quarter fell from 4 per cent in the 1994 period to 3.2 per cent last year and it ranked as Europe's 10th largest PC seller, down from sixth a year earlier.

By the start of the first quarter this year PC manufacturers, including Apple Computer, Compaq and others, had begun to blame the market slowdown in the US and Germany for a string of disappointing results. PC sales in Germany grew by just 9.9 per cent, just ahead of the meagre 3.7 per cent growth recorded in

Vobis sales advance 17%

Vobis, the computer retailer sparring with Escom for leadership of the German PC market, said sales in the second quarter had risen 17 per cent and its profits were "satisfactory", writes Michael Lindemann in Bonn.

In a statement which comes on the heels of the troubles at Escom, Vobis said its profits had been affected by a DM20m (\$13m) charge which was needed to fund the so-called "unit to customer" technology which allows Vobis clients to make up their own computer.

However, the "positive effects" of these changes would be felt once the BTC system had been introduced at Vobis outlets outside Germany. Vobis said it would have to adjust to a slower consumer market but it had been able to make up for much of this slowdown through higher sales to professional PC users.

France. By contrast, year-on-year growth topped 20 per cent in Denmark, the Netherlands and Britain.

What the industry seemed to have forgotten, Mr Brazier believes, was that while professional users are likely to change PCs almost every year, home users - Escom's clients - can only afford to buy new PCs every three or four years.

As a result Escom, like some other manufacturers, was left with unsold stock. The problem seems to have been compounded by the sharp reduction in component prices, particularly the price of dynamic random access memory, over the past six months.

D-Ram prices have fallen by about 65 per cent since November last year. This enabled nimble PC vendors with high volumes to slash prices in the first quarter to try to revive flagging sales. However ven-

dors such as Escom were sitting on piles of unsold inventory and were forced to write down the value of their stocks even further.

In March, Escom announced higher than expected full-year net losses of DM125m, which it blamed on falling PC sales, stock write-downs and price cuts. Later that month the company received a DM100m injection from its banks and shareholders and Mr Schmitt was replaced as chief executive by Mr Holmut Jost, a former management board member.

However, even that was not enough. The company said this week that shareholders had refused to cover additional losses. Escom faces an uncertain future - and Mr Schmitt's keyboard dream is shattered.

Michael Lindemann
and Paul Taylor

Flying a flagship carrier through turbulent reform

David Owen on the chairman piloting Air France in a problematic merger and towards privatisation

Can he pull it off? That was the question on many minds as representatives of Air France's numerous unions filed out of the Mériotel hotel in Moolpanse yesterday to cheer over Mr Christian Blanc, Air France's domestic partner, has already been subject to two 24-hour strike calls within a week, and was yesterday forced to cancel 70 per cent of its flights.

It might be argued that the opportunity to merge with Air France Europe, the former Air Inter, is in any case a dubious privilege. Air France's FF143m (\$60.03m) operating profit for the year to March 31 - the first of the 1990s - was more than offset by Air France Europe's operating loss over the 15 months containing the same period. At the net level,

chairman was yesterday still insisting that the state-controlled airline could be privatised in late 1997 or early 1998. But a summer of damaging industrial action could well call this target into question. Air France Europe, Air France's domestic partner, has already been subject to two 24-hour strike calls within a week, and was yesterday forced to cancel 70 per cent of its flights.

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Air France Europe's loss for the 15 months to March 31 came to FF961.4m against a profit of FF20.9m in 1994.

The speed of the deterioration is attributable to the progressive liberalisation of the domestic French air transport market. Where once this was a monopoly, it is now bristling with aggressive competitors.

These, too, are finding it tough to make ends meet. Air Liberté, a medium-sized private airline, is not expecting its current year results to be any better than last year's net profit of FF18m despite a big increase in turnover from FF1.8m to about FF2.8m.

The company, which recently announced a code-sharing and general commercial agreement with AOM, another medium-sized airline, said a "fare war" had seen prices decline sharply on many routes. TAT European Airlines, owned 49.9 per cent by British Airways, lost FF230m in 1995-96 on sales of FF1.1bn. The situation looks set to get worse before it gets better. Liberalisation of European air travel will be further entrenched in April 1997 - at about the time yesterday's merger will take effect - when airlines from other European Union countries are allowed untruncated access to the French domestic market.

For all that, Mr Blanc's timing in unveiling his revised merger plans looks good in several respects. For one thing, the results of the surgery carried out at Air France itself are beginning to show - witness the 1995-96



Flight plans: Mr Christian Blanc, the chairman of Air France, who explained merger proposals to union representatives

operating profit although net losses totalled FF2.87m after provisions of FF2.2m for a voluntary severance scheme and other labour measures.

There are suggestions, too, of encouraging passenger volumes at the start of the present financial year, with the airline's powerful Paris hub beginning to function more effectively.

This situation is not lost on the unions, which will almost certainly be split in their response to yesterday's proposals.

Mr Blanc certainly seems confident of a good level of support from Air France employees. Perhaps significantly, the Air France section of the SNPL pilots' union this

GE Capital in German IT purchase

By Paul Taylor

CompuNet Computer, Germany's largest information technology systems value added reseller, is to be acquired by GE Capital Services, part of the US-based General Electric group.

The deal, put together by Broadview Associates, the mergers and acquisitions specialists, marks an important step in GE's plans to build a global IT services group, and may signal the start of a wave of consolidation within the industry.

Terms of the deal, subject to EU Commission approval, have not been disclosed.

CompuNet provides IT desktop services and networking systems for most of the 1,500 largest German companies and government agencies. Its high-tech customers include Allianz, BMW, Deutsche Bank, Deutsche Post, and SAP.

The group also holds a 26 per cent stake in International Computer Group, the international joint venture with offices in Europe, North America and Asia.

CompuNet, with sales of almost \$839m last year, up from \$676m a year earlier, is seen as providing the European platform for GE Capital Services.

CompuNet is one of the three largest European dealers, along with InfoProducts of the Netherlands and Computacenter which has operations in the UK and France.

In a report PC Dealers and VAs in Europe, The Top 500, published last week, PC Europa, the UK-based market research group, predicted "a mergers and acquisitions boom among Europe's largest PC dealers."

Until now the chairman of Swiss Re and Credit Suisse have sat on each other's boards. Mr Gut's decision to hand over his place on the Swiss Re board is another sign that his influence in the Swiss financial community may be on the wane.

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The Notes will carry an interest rate of 6.3125% per annum. The interest payable on the relevant interest payment date, January 8, 1997 will be U.S. \$32.44 per U.S. \$1,000 Note, U.S. \$324.39 per U.S. \$10,000 Note, U.S. \$3,243.92 per U.S. \$100,000 Note and U.S. \$6,109.81 per U.S. \$250,000 Note.

By: The Chase Manhattan Bank, N.A. CHASE
London, Agent Bank
July 5, 1996

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Agent: Morgan Guaranty
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CS move hints at boardroom tensions

By William Hall in Zurich

Mr Lukas Mühlemann, who is moving from Swiss Re to take the helm at the new Credit Suisse Group, was only offered the job a fortnight ago. His decision to accept the post at such short notice suggests that boardroom tensions in the run-up to this week's restructuring of the Swiss banking group were more serious than first thought.

Mr Mühlemann, who has overseen a restructuring of Swiss Re, the world's second biggest reinsurance company, fills a gap in the Credit Suisse

boardroom left by the sudden resignation of Mr Josef Ackermann, who had been chief executive of Credit Suisse, the Swiss banking arm of CS Holding, since 1993.

CS Holding, which will be renamed Credit Suisse Group after the restructuring, has said Mr Ackermann's departure was "due to differing views" but has refused to elaborate.

However, Zurich's TagesAnzeiger newspaper reported yesterday that Mr Ackermann had handed in his notice seven weeks ago. The newspaper says Mr Ackermann

had disagreed with the proposed scale of the cuts in Credit Suisse's domestic retail banking network and felt he had to resign because he had lost credibility.

Meanwhile, the news that Mr Mühlemann had only been offered the top job at Credit Suisse two weeks ago suggests that the management transition has been far from smooth. Mr Ackermann had long been regarded as the heir apparent to Mr Rainer Gut, who has led the group since 1982.

This role now falls to Mr Mühlemann, who is in a much

stronger position than his predecessor. Not only will he be chief executive of the whole Credit Suisse Group, but he also replaces Mr Gut as deputy chairman of Swiss Re. Credit Suisse was one of the founders of Swiss Re and the two companies have always had close ties.

Until now the chairman of Swiss Re and Credit Suisse have sat on each other's boards. Mr Gut's decision to hand over his place on the Swiss Re board is another sign that his influence in the Swiss financial community may be on the wane.

NEWS DIGEST

Alcatel Standard to axe 1,400 jobs

Alcatel Standard, Spain's leading producer of telecommunications equipment and a subsidiary of the French Alcatel-Alsthom group, is to shed 1,400 jobs - 23.5 per cent of its labour force - over the next three years and close two of its four plants in order to ensure its viability. The restructuring, which forms part of a global streamlining by Alcatel-Alsthom, has been made necessary by pressure on margins and on new orders that prompted record losses of Ptas29.7bn (\$232m) at Alcatel Standard last year, up from Ptas3.2bn in 1995.

Mr Miguel Canalejo, company chairman, said the survival of Alcatel Standard depended on union acceptance of the job cuts because the company's parent had made a Ptas2bn injection of fresh capital conditional on the implementation of the viability plan. Over the past 12 years Alcatel Standard has run up accumulated losses of Ptas47.6bn and Alcatel-Alsthom has pumped Ptas4bn into its subsidiary.

If the restructuring, which is expected to cost Ptas1.4bn, goes ahead as planned, Mr Canalejo said Alcatel Standard would be in a position to post an operating profit within two years and a net profit by 1999. Labour unions, which have seen Alcatel Standard's workforce shrink from more than 15,000 in 1988 to below 6,000, said they would accept only voluntary redundancies. Tom Burns, Madrid

Getty Communications in IPO



Getty Communications, the company that owns some of the world's largest film and photographic archives, is staging an initial public offering in New York that will value the group at \$154m. Some 5m American Depositary Shares (each representing two ordinary shares) will be sold for \$10 each. Alex Brown is lead underwriter with Hambrecht & Quist as co-manager. Existing shareholders are selling 1.5m of the ADSs, with the remaining 3.5m being sold to raise capital for the company. Getty

Communications was founded in 1985 by Mr Mark Getty (left), its chairman, who is a member of the wealthy US oil family, and Mr Jonathan Klein, now chief executive officer. The company's interests include Hulton Getty, the former Hulton Deutsch photographic library - which owns the rights to the work of thousands of photographers including Robert Capa and Man Ray, and Fabulous Footage, a North American archive of film footage - and Tony Stone Images, an international network of photographic agencies. Alice Ransworth

Ferragamo to control Ungaro

Salvatore Ferragamo, the Florentine fashion house, is to take control of Emanuel Ungaro, the French haute couture company, Mr Ferruccio Ferragamo, chief executive, said yesterday. The Florence-based company hoped to complete due diligence examination of Ungaro shortly. He said Ferragamo would buy a majority stake in Ungaro, but would not reveal how much the company intended to pay.

Ungaro last year turned over FF115m (\$26.2m) on its main couture lines. Unlike Ferragamo, it licenses its brand for use on other retail items and perfumes. Ferragamo's turnover this year is expected to reach L870m, up 33 per cent on 1995. Mr Ferragamo said Ungaro and Ferragamo would remain independent within the group, but exchange know-how in their areas of commercial strength. Mr Emanuel Ungaro would remain chairman and chief designer of the French company he founded in the 1960s.

Both companies are still family-owned, but Mr Ferragamo said the Italian group had no intention of following competitors such as Gucci, also based in Florence, onto the stock market. Ferragamo started out as a shoemaker and is well-known for its ties, belts, bags and accessories. Mr Ferragamo said the two companies' retail networks - which include 30 wholly-owned Ferragamo shops and three Ungaro boutiques, plus franchised outlets - were geographically complementary. Andrea Hill, Milan

Auchan earnings fall sharply

Auchan, the privately-owned French retailer, recorded a fall in net profit from FF194m in 1994 to FF157m (\$38.6m), according to accounts published in a document linked to Auchan's bid for Docks de France. The bid values Docks at about FF170m. Auchan's 1995 sales rose 6.1 per cent to FF64.3bn, of which FF51.7bn were in France. Operating profit advanced from FF1.63bn to FF1.84bn.

On the basis of results in the first five months of this year, sales and net profit for 1996 should be higher than those of 1995, Auchan said. It added that if its bid for Docks de France were successful, the combined group would have annual sales of FF110bn. Privately-owned Auchan said it would spend most of Docks de France's profit on the international development of the company. AFP News, Paris

Stora plans to sell building unit

Stora, the Swedish forestry products group, is negotiating to sell its building products division to Industri Kapital, an investment fund, for a price expected to be about SKr680m (\$130m), the unit's book value. It said the sale, expected to be concluded by the end of the year, was in line with Stora's aim to focus on core forestry industry operations.

Stora Building Products, which makes doors, windows and kitchen and bathroom fittings, made a loss last year on sales of SKr3.89bn. Stora's group sales totalled SKr7.7bn. It said group net debt, which stood at SKr11.1bn at the end of March, would be cut by SKr550m by the sale. AFP News, Stockholm

Hollandia to buy Pakhoed arm

Hollandia, a Dutch industrial holding company, is to buy Furness, a ports and car dealership unit put up for sale last month by Pakhoed, the Rotterdam-based distribution and storage group. Furness, with more than 2,000 staff and revenues last year of F1.683.4m (\$347m), is being sold as part of a reorganisation by Pakhoed after its move to full control at Univar, a leading US chemicals distributor. As part of the merger Hollandia - headed by Mr Rob Lubbers - would undertake a former prime minister Rudi Lubbers - would undertake a share issue to strengthen its finances. Operating earnings at Furness fell 41 per cent last year to F1.85m. ABN Amro Hoare Govett initiated and advised on the deal. Pakhoed shares closed 90 cents higher yesterday at F1.46. Gordon Cramb, Amsterdam

Accor, the French hotel group, has sold six Sofitel hotels in France to a group of institutional investors for FF1.1bn (\$215m) as part of a programme to sell hotel assets while continuing to manage the hotels. AFP News, Paris

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COMPANIES AND FINANCE: THE AMERICAS

Wells Fargo adds health to bank 'n' shop strategy

Wells Fargo, the fastest mover in the race to shift US banking services from traditional branches to supermarkets...

range of over-the-counter medicines, cosmetics and drugstore sundries. Wells Fargo says it will be able to dispose profitably of unwanted branch floor space while maintaining its presence in familiar sites...

interest mainly to smaller financial institutions - which has engaged several big players. The group's plan, which includes simultaneously closing most of First Interstate's Californian traditional branches and transforming them to in-store 'service centres'...

one-time opening costs for the variants range from 20 per cent to 5 per cent of the \$1.2m required for a branch. Operating costs are lowered in proportion to the reduction in staff numbers. Despite the post-merger glitches, the drive has barely slackened in the marketplace...

opened a profitable consultancy sideline for banks wanting to join the race, reckons 15 per cent of all US bank branches - double the current share - will be found in non-traditional sites within three years.

Christopher Parkes

Metal investors' greed turns to fear

Indochina Goldfields' initial public offering appeared to be a sure winner in mid-June as promoters of the Singapore-based metals exploration company wrapped up their international roadshow.

The \$270m (US\$198m) issue was four times over-subscribed, thanks partly to Indochina's ties with Mr Robert Friedland, the hippie-turned-dealmaker who controls about 30 per cent of the shares.

has given way to fear. One Toronto investment adviser says that "clients had come to expect that if a stock doesn't go from here to eternity overnight, there's something wrong".

Indochina's slide is modest compared with some other high fliers. Arequipa Resources, which is looking for gold in Peru, is now trading at about half its peak of C\$34.75.

Toronto's Financial Post, more than 40 companies listed on the Vancouver stock exchange claim to have interests in Africa. Indochina's most promising properties are in Myanmar (Burma) and Indonesia.

The market received another thrust earlier this year when the gold price breached US\$400 an ounce. As money poured into gold and other resource funds, some fund managers became less selective in their choice of investments.

are generally still well above levels at the beginning of 1993. Selling may also increase in coming weeks as securities regulators clear prospectuses that were required for all financings based on warrants.

Investors have also woken up to the rarity of deposits on the scale of Volsey's Bay. The rest of the pack "aren't coming up with very good discoveries," says Mr Tony Hayes, analyst at Creditfinance Securities in Toronto.



Robert Friedland: hippie-turned-dealmaker and mining legend

Investors in Diamond Fields and Bre-X made a killing. Bre-X soared from less than C\$3 in early 1995 to last month's peak of C\$28.65 (after a 10-for-1 share split), giving it a higher market value than Inco, the western world's biggest nickel producer.

Revelations about the hull market's excesses have made many investors nervous. Calgary's Timbuktu Resources admitted last month that samples from a gold property in Mali, which initially appeared to contain fabulous grades, were tampered with.

Bernard Simon

FLEMING FLAGSHIP FUND

Notice to Shareholders. Notice is hereby given that the following dividend will be paid:

Fund: FFF-Fleming Sterling Bond Fund. Currency: GBP. Amount/Share: 0.040. Payment date: 11 July 1996.

The shares will be quoted ex-dividend as from 1 July 1996.

Payable Agent in Luxembourg: Kredietbank S.A. Luxembourggoise (-KBL-), 43 Boulevard Royal, L-2956 Luxembourg.

FLEMINGS



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The undersigned acted as advisers to the sellers.

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May 1996

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- Mr John Denham MP, Shadow Minister for Pensions. Mr Stefano Grassi, Pension Funds Business Manager, Prime Group.



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ABN-AMRO Bank

May 1995

COMPANIES AND FINANCE: ASIA-PACIFIC/INTERNATIONAL

Philippine Airlines ready for new take-off

The carrier, freed from state and recapitalisation shackles, can start to modernise, writes Edward Luce

Philippine Airlines (PAL) is not renowned as one of south-east Asia's more dynamic national flag carriers.

Known by its detractors as Plane Always Late, PAL has posted three consecutive years of heavy losses, topping 2bn pesos (\$76m) for the year ending March 31.

The airline's top executives, however, believe that PAL is about to turn the corner.

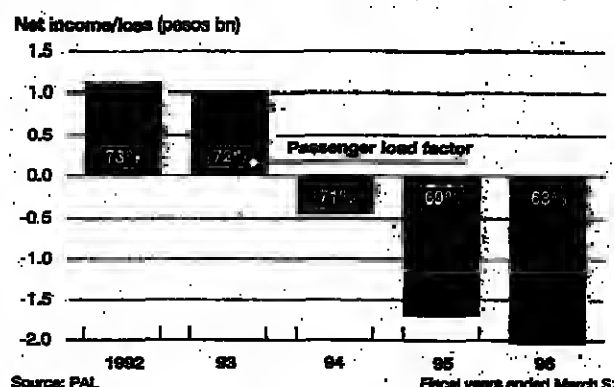
Commission's

restraining order on the recapitalisation of PAL, will enable Mr Tan to take his direct stake in the flag carrier to 57 per cent.

"Once Mr Tan takes charge, most of PAL's problems can be solved," said Mr Matthew Sutherland, chief researcher at Asia Equity Securities in Manila.

"After the restraining order is lifted, we will be able to turn this airline around," said Mr Jaime Bautista, chief financial officer at PAL.

Philippine Airlines



also the workforce and give PAL a new image. We think we will restore PAL to profitability by 1997.

Much, however, remains to be done before PAL can reach cruising height again. With a workforce of more than 14,000 and a strong union presence, PAL is overmanned and constantly plagued by labour disputes.

The airline will also have to re-route much of its international flight schedule, including its loss-making European service to London and Paris which stops at Bangkok, Abu Dhabi and Frankfurt.

fly non-stop. The average age of the fleet is 13 years.

Under the \$3.2bn re-fleeting plan, PAL will purchase 30 new jets, including 24 Airbus aircraft - mainly A330s and A340s - and six Boeing 747-400s.

Most of the funding for the new jets will be raised internationally with overseas credit departments - including the Export Import Bank in Washington and Export Credit Guarantee Department in London -

guaranteeing 85 per cent of the loans. Mr Bautista says that the airline will have no problem raising the remaining 15 per cent.

On the domestic front, where poor performance made up about 30 per cent of PAL's total losses last year, reform is expected to be more troublesome.

"I can count the number of domestic routes which make a profit on one hand," says Mr Bautista.

Part of the problem is that PAL's three new competitors - Cebu Air, Grand Air and Air Philippines - can cherry-pick the most profitable routes without the attendant obligations.

"We are confident that with our experience we can beat off our new rivals," said Mr Bautista.

Carter Holt acquires Forwood for A\$130m

By Nikki Tait in Sydney

Carter Holt Harvey, the New Zealand based forestry and building products group, is to buy Forwood Products, the timber-processing business owned by the South Australian state government, for A\$130m (US\$101m).

Forwood was formed three years ago when the timber processing operations of the former Woods and Forest Department of South Australia and the South Australian Timber Corporation were merged.

It takes in timber milling and processing at four different sites in the south-east of the state, and produces both sawn and engineered timber products as well as furniture timber and components.

For Auckland based Carter, one of the two big forestry companies in New Zealand, it represents the second recent purchase of Australian assets.

However, Gencor will seek foreign investment to fund the aluminium project - if it is approved.

Its stake in Malbak has fallen from 20 per cent a year ago. The consumer group has been beset by management conflicts over its unbundling.

In May, Malbak ousted Mr Grant Thomas, its chairman and chief executive, amid persistent allegations that he had dealt irregularly in Malbak shares.

NEWS DIGEST

China Resources adds to Lippo link

China Resources, the mainland-owned conglomerate listed on the Hong Kong Stock Exchange, has paid HK\$214m (US\$27.8m) for a 5 per cent stake in PT Lippo Land Development, one of Indonesia's leading listed urban developers, and is considering extending its holding.

China Resources, which holds 5.2 per cent of Lippo Land's key subsidiary, the Jakarta listed PT Lippo Karawaci, has been building strategic ties with the Indonesian Lippo Group over a number of years in Hong Kong, China and Indonesia.

Ms Zhu Youlan, president of China Resources, said the purchase allowed the group to tap Indonesia's growing economy through Lippo Land's successful urban development projects while securing a good deal.

China Resources is an arm of China's Ministry of Foreign Trade and Economic Co-operation and one of the fastest growing China companies in Hong Kong.

Boost for Malaysian shipper

Konsortium Perkapalan, Malaysia's second largest shipping company, is set to buy the Asia-Pacific operator Pacific Basin Bulk Shipping for about \$240m - \$16.22 a share - in an attempt to boost the Malaysian company's presence in the region.

Malaysia's government, set on reducing its deficit in services payments, is expanding its ports and encouraging its shipping companies to handle more of the country's exports.

Mayne meets on Optus stake

Mayne Nickless, the Australian transport, security and healthcare group, said it expected, at a board meeting next Tuesday, to discuss - and possibly decide - the fate of its 24.9 per cent stake, worth A\$1bn (US\$780m), in Optus Communications, the telecommunications carrier.

Gencor sells its stake in Malbak for R1bn

By Mark Ashurst in Johannesburg

Gencor, the South African metals and mining group, has sold its largest non-mining investment, a 15.3 per cent stake in the consumer group Malbak, for more than R1bn (\$231m).

The stake has been acquired by a consortium led by Sankorp, the industrial holding company of insurance conglomerate Sanlam, which itself unbundled Gencor in November 1993.

months and there are not many buyers for Ribn of Malbak," said one.

Analysts were divided over the probable gains for current shareholders when Malbak is spun off. With the exception of Sankorp, the members of the consortium were not identified, but were likely to be seeking bigger stakes in selected Malbak businesses after its unbundling, analysts said.

The disposal is the largest liquidation of listed investments retained by Gencor since the group unbundled its non-core industrial businesses in November 1993, the turning

point in its transformation from a diversified conglomerate into a focused metals and mining business.

Gencor would not disclose its plans for the cash, saying only that its share portfolio was "part of its liquid cash resources [which] have been gradually realised to finance projects as market conditions have allowed".

Analysts said the money was more likely to offset debt from existing projects than to be channelled into new ones.

smelter at the Mozambican harbor port of Maputo and a zinc smelter in the Eastern Cape.

However, Gencor will seek foreign investment to fund the aluminium project - if it is approved.

Its stake in Malbak has fallen from 20 per cent a year ago. The consumer group has been beset by management conflicts over its unbundling.

STATE OF RIO GRANDE DO SUL DIRECTOR COUNCIL STATE'S REFORM PROGRAM REQUEST FOR PRE-QUALIFICATION PROPOSAL COD - 02/96

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COMPANY NEWS: UK

CRH buys Allied Building for \$121m

By Andrew Taylor, Construction Correspondent

CRH, the Dublin-based building materials group, yesterday announced a further expansion of its US business with the \$121m (£78m) purchase of Allied Building Products, the country's third largest roofing, cladding and insulation supplier.

Spending on US acquisitions by CRH this year has now approached \$250m, while the total annual turnover of all its US businesses is expected to total more than \$1.5bn in a full year.

Last year, the US accounted for 31 per cent of group turnover of £1.91bn (£1.97bn) and 34 per cent of trading profits of £170.5m. The company now operates from more than 200 locations

in 38 states in the US.

Allied, which operates from 69 locations in 23 states, is market leader in its sector in the mid-Atlantic, Pacific north-west and Mountain states, said CRH. It made pre-tax profits of \$9.4m on sales of \$429m last year.

Goodwill of about \$30m is expected to arise on the purchase price, which includes assumed borrowings.

Other US acquisitions by CRH this year include the purchase, for \$37m including debt, of the Jack B Parson Companies, which have quarrying, asphalt, concrete and paving operations in Utah, Idaho and Nevada.

CRH spent a further \$23m to purchase Ricangela, an asphalt and paving construction business based in Orange County, New York State; parts of

Brooks Products, a leading producer of pre-cast concrete vaults, meter boxes and related products primarily used in underground utility installations; and parts of Foster and Southeastern, two concrete masonry, block and pre-cast concrete manufacturers, both based in Massachusetts.

Allied represents a new area of US investment for CRH, which previously has operated from four main divisions. These are: pre-cast concrete, which has a strong position supplying the telecommunications and electrical industries; architectural products, making concrete masonry, paving and garden products; building materials, supplying aggregates, asphalt and ready-mix concrete; and the glass division.

A fifth division will be built around

the builders' merchants interests of Allied, CRH said.

The company has expanded internationally through a series of modest "bolt-on" acquisitions since the mid 1970s and also has large business interests in continental Europe and the US.

Almost 72 per cent of trading profit last year was earned outside Ireland. Total spending on acquisitions this year, including purchases in the UK, France and Netherlands, has been about £190m. The group says it has been able to finance much of its spending from cash flow.

Gearing on the basis of purchases so far this year is expected to rise from 21 per cent to just over 30 per cent. Analysts are forecasting pre-tax profits this year of £190m, up from £160.5m.

Costain's saviour is well connected

By Andrew Taylor

Intra Berhad, the Malaysian construction and investment group, appears at first glance to be a surprising saviour of Costain Group, one of the great names of international contracting which has fallen on hard times.

The Malaysian company, which used to be called Achi-cham and was a palm oil refiner making fatty acids and glycerine, was incorporated in 1990. Its experience of construction is limited. Its main interest is a concession to operate the Penang toll bridge which generates an annual revenue of M\$90m (\$36m).

In the year to June 30, 1995 Intra reported pre-tax profits of just M\$19.4m on sales of M\$229.1m.

Its business interests may be modest but it is extremely well connected through a complex shareholding structure which places it in a strong position to win a large slice of the country's construction programme.

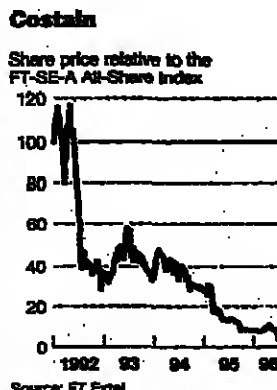
Intra's biggest shareholder, with 53 per cent, is Mekar Idaman a private investment company thought to have strong links with the United Malays National Organisation, the country's dominant political force.

Under Malaysia's seventh five-year plan (1996-2000), about M\$200m has been earmarked for infrastructure. Intra is thought to be line to win the M\$60m university of Sabah project in Borneo.

LEX COMMENT

Costain

Costain's shareholders have precious little option but to approve the rescue deal the company has come up with. The three-for-one open offer will leave Malaysia's Intra with around 40 per cent of the enlarged share capital. Costain's banks could end up with 35 per cent in a debt-for-equity swap, depending on the take-up by shareholders. Of course, the result is dilution of their already horribly battered stakes in the company. But since the company has no future without a restructuring and this is the only one on offer, there is little for them to do except take further punishment.



Whether they should subscribe at 50p a share is another question. Given the company's history, gut instinct suggests they should pass up the chance. Certainly, with the shares suspended at 39p, admittedly when it looked like the company could go bust, this hardly looks a bargain. After the financial restructuring and extensive write-downs, the net asset value per share will be about 21 pence, substantially below the offer price.

Of course, it could turn out that the link with the well-connected Intra will help the new, financially sound Costain to create shareholder value at last. The one thing that can be said in Costain's favour is that, despite its dire financial performance, it has managed to go on winning contracts with astonishing success. But given the company's history, the possibility of future triumphs does not appear quite strong enough to outweigh the cynicism that is borne of prolonged disappointment.

Lafarge set to win quarry company

By Geoff Dyer

Lafarge, a French construction materials group, looks set to win Ennemix, a tiny quarry company based in eastern England, which in April rebuffed a \$5.8m (£10m) hostile bid from Redland, one of the UK's largest building materials groups.

Ennemix has recommended a \$8.8m bid from Lafarge, which represents a 38 per cent improvement on Redland's offer.

Mr Vaughan McLeod, Ennemix's chief executive, said: "We won the battle, but we have lost the war." With Redland continuing to hold a 41 per cent stake in the group, he said the Lafarge bid was the

best way of ending the uncertainty surrounding the group. Lafarge, which is offering 48p per share, a 31 per cent premium to Wednesday's closing price of 35p, bought 14.1 per cent of Ennemix's shares yesterday, giving it control over 41.8 per cent.

Redland, which paid 32p per share in December for the 30 per cent stake it bought from Nash Sells, a venture capital company, said that it was still considering its options.

Lafarge said that the acquisition would allow it to expand its UK aggregates business and gave it a presence in the ready mixed concrete market. Ennemix made pre-tax losses of £585,000 in 1995 on sales of £14.7m.

NEWS DIGEST

Jurys up 58% on tourism boom

Ireland's continuing tourism boom helped Jurys Hotel, a Dublin-based hotel company, to a 58 per cent rise in pre-tax profit to £9.51m (£15.2m) in the year to April 30.

The company, which operates in Ireland and the UK, reported occupancy rates up 3 per cent to between 76 per cent and 80 per cent in its main hotels, pushing turnover up 19 per cent to £49.3m.

Firecrest makes \$12m sale

Firecrest has sold for \$12m the worldwide rights to the Internet Transphona and the Collect loyalty scheme to Netex Network Communication, a new US company. The Internet Transphona allows users to make secure encrypted credit card payments over the Internet.

Cookson in US joint venture

Cookson Group, a specialist industrial materials company, has agreed to merge Cookson Entek, its 75 per cent-owned subsidiary in the polyethylene battery separators business, with Entek, a privately held US company, and certain interests of Entek Manufacturing. Entek owns the remaining 25 per cent of Cookson Entek.

Druck acquires Texan group

Druck Holdings, a USM-quoted electronics group, has acquired Ruska Instrument, of Houston, Texas, for about \$7.5m cash, plus the assumption of \$2.3m debt. Ruska develops and makes pressure generator instruments used as standards in industry, including many national laboratories.

IWP buys into eastern Europe

IWP International has bought a 60 per cent stake in Polbita, a Polish distributor of household and personal care products in eastern Europe, for \$4.6m, including loans of \$2.56m. In the year to December, Polbita's sales were \$45m, and pre-tax profits were \$522,000.

T&N to seek clearance for stalled Kolbenschmidt bid

By Tim Burt

T&N, the motor components and engineering group, is to seek clearance for its stalled DM282.6m (£188m) takeover of Kolbenschmidt, the German piston maker, by arguing that it no longer poses a threat to fair competition.

The company plans to tell the German cartel office, which rejected the proposed deal last summer, that it should now approve the takeover, because its main rival has pushed through a similar acquisition without being referred to the competition authorities.

Mahle, the German components group which complained to the Kartellamt about T&N's bid, last month joined forces with Cofap, the Brazilian piston rings manufacturer, to acquire Metal Leve, one of South America's largest piston manufacturers.

Mahle had previously argued that T&N should not be allowed to buy Kolbenschmidt because it would become a captive customer for Goetze, T&N's existing German piston rings subsidiary.

Sir Colin Hope, T&N chairman, expressed optimism that the cartel office would review its rejection of the deal. "Mahle's action undermines the argument on which we've been turned down," he said.

Failing approval from the cartel office, T&N plans to submit the bid to competition authorities in Brussels. T&N's hopes rest on the European Commission accepting that consolidation is inevitable and desirable among component companies.

Table and desirable among component companies.

T&N, which as Turner & Newall was one of Britain's largest asbestos companies, yesterday won a reprieve over a legal threat to the so-called Georgine Settlement, a system of awarding fixed payments to asbestos victims.

Although a US Appeal Court has ruled that the settlement failed to meet the criteria of a class action, it has agreed that the procedure should remain in place pending an appeal to the Supreme Court.

T&N is one of 20 asbestos companies fighting the ruling through the Center for Claims Resolution. It said the Georgine Settlement would remain in force throughout the appeal process, which could last until the end of 1997.

RESULTS

Company	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Dividend (p)	Date of payment	Total for year	Total last year	
Barraclooney	48.1 (48.7)	4.34 (5.5)	13 (11.1)	4.85	Aug 16	4.5	5.3	
Caplan S	1.28 (2.4)	1.12 (1.8)	1.88 (2.18)	-	-	-	-	
Costale	842.4 (742.2)	142.8 (180.4)	276.5 (358.9)	nil	nil	nil	nil	
Gibson	28 (27.5)	2.41 (2.05)	15.6 (13)	4.5	Oct 2	4	6.2	
Horsley S	38.6 (33.7)	5.76 (4.3)	82.92 (53.7)	5.5	Aug 14	5	5.5	
Inner Workings	0.488 (0.246)	0.226 (0.088)	1.42 (0.18)	-	-	-	-	
Imperial	73.9 (91.2)	2.78 (4.7)	3.71 (6.3)	1.3	Sept 16	1.8	5.7	
Jerry's	49.3 (41.5)	9.51 (6.02)	18.5 (15.8)	4	Oct 1	3.65	6.3	
Vandy (Reg)	575 (577.1)	14.2 (11)	21.3 (16.4)	4.25	Oct 1	3.77	6.5	
Investment Trusts	NAV (£m)	Attributable Shareholder (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividend Corresponding dividend	Total for year	Total last year
Alford New Bond	283.44 (216.43)	0.786 (0.889)	1.82 (2.21)	1.15	Sept 6	1.15	1.15	

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. (1) Increased capital. * Comparative restated. \$USM stock. * Comparative for 12 months to prior stock. British currency.

Mannesmann: Telecommunications strengthens growth and earnings

1995 annual profits more than doubled
In 1995 Mannesmann's earnings again increased substantially. Profits from normal business activity rose 52 per cent to DM 911 million. After-tax profits (group net profits) amounted to DM 701 million. This is more than double the previous year's result. All group sectors recorded a profit.

Telecommunications achieved the group's largest performance improvement, as was the case the previous year. With profits of DM 464 million (1994: DM 195 million) it accounted for half the group's result. Machinery and Engineering's performance increased 44 per cent to DM 278 million (1994: DM 193 million). Automotive remained more or less at the previous year's level, generating profits of DM 115 million (1994: DM 121 million). Tubulars and Trading was in the black to the tune of DM 38 million (1994: DM 30 million).

Earnings per share rose to DM 21 (1994: DM 15) and the dividend rose from DM 6 to DM 8.

Sales and incoming orders up
Sales grew 6% in 1995 to DM 32.1 billion. This growth comprises a 56% increase at Telecommunications to DM 2.7 billion, a rise at Machinery and Engineering of 12% to DM 14.0 billion and at Automotive of 7% to DM 7.2 billion. Incoming orders during the last financial year also rose 4% to DM 34.9 billion, with all divisions making a positive contribution.

Telecommunications growth surges
Mannesmann is the leading private-sector supplier on the telecommunications market. The number of Mobilfunk customers rose in 1995 by around 600,000 to 1.45 million.

Today, ca. 1.9 million subscribers use the D2 network, and they are joined every month by around 60,000 more. Mannesmann is expanding further areas of activity in this future-oriented market together with German and foreign partners. A first step in the fixed network sector has been the CNI Communications Network, which is engaged in setting up a high-performance network for the transmission of information in data, speech and video form and which also offers Unisource and AT&T telecommunications services on the German market. In April 1996 Mannesmann Autocom

Mannesmann Mobilfunk network reaches 98 per cent of the German population with its approx. 5,500 radio cells. Around 80 per cent of these cells are linked to the mobile switching centres via their own radio relay network which currently covers around 30,000 km. Mannesmann Mobilfunk now co-operates with 56 roaming partners in 36 countries.



launched the first large-scale pilot project for a fully-automated nationwide traffic data system which will enable it in future to offer traffic telematic services.

Strength from a new structure
Mannesmann implemented major structural changes in 1995 in order to improve its companies' competitive position and to reduce costs. Acquisitions in the areas of metallurgical, compressors, plastics and processing technology have served to improve its position on the world market in these sectors.

Bright prospects for 1996
Mannesmann is confident about its performance for the current 1996 financial year. This confidence is based on a continued positive showing by the Telecommunications sector and on the benefits of the wide-ranging structural improvements in the Machinery and Engineering and Automotive sectors, which are now feeding through. These positive trends are serving to counteract pressure on profits in Machinery and Engineering, Tubulars and Trading and Automotive caused by the weakness of the European economy.

The dividend
Our shareholders will receive for 1995 a dividend of DM 8.— per share at a par value of DM 50.—. Payment will be effected as from 1 July 1996 against submission of dividend coupon no. 53. Foreign shareholders will be subject to a withholding tax under consideration of applicable Double Taxation Agreements.

The full annual accounts will be published in the Federal Gazette.

On request we shall be happy to send you
■ the Mannesmann 1995 Annual Report,
■ the shareholders' newsletter and
■ issue 8/9 of our shareholders' publication "Mannesmann Magazine", containing a report on business during the 1st half of 1996.
Write to:
Mannesmann AG, Presse und Information
Postfach 10 36 41, D-40027 Düsseldorf

Mannesmann Aktiengesellschaft, Düsseldorf

INTERNATIONAL CAPITAL MARKETS

Ratings upgrade, rate cut hopes lift Italy

By Richard Lapper, Capital Markets Editor

Further rises in Italian bond prices following Tuesday's decision by Moody's to upgrade the country's domestic and foreign currency debt ratings were the main focus of attention in a quiet day in European markets.

With the US market closed for independence Day and dealers awaiting the release of US employment data today, trading slowed to a trickle in the London afternoon.

In Italy, optimism about a possible cut in interest rates following the publication tomorrow of CPI figures also buoyed prices. June CPI is expected to fall to less than 4 per cent.

On Life, 10-year BTP futures gained 0.71 to settle at 117.54, while the December euroftra contract closed at 92.36, up 0.11 in the cash market, 10-year BTPs closed at 102.45, up 0.59, with the yield spread over Germany falling 9 basis points to 278 points.

Analysts expect the 10-year yield spread to contract further. Mr David Brown, chief European economist at Bear Stearns International, argues that "it won't be too long before the [275 basis point target] breaks, and the market heads to our secondary and tertiary targets of 250 basis points and 225 basis points. There are a lot of people out there who are willing to call time on the Italian rally and saying that at around 280 basis

points the 10-year spread looks expensive. We could not disagree more vehemently."

Mr Julian Jessop, chief European economist at Nikko Europe, also expects the gap to narrow to 250 basis points but says "flows of money will take it there" and that such a yield premium is "not necessarily justified by fundamentals".

He argues that any further contraction in the yield spread can only take place on the assumption that Italy will join the first stage of European monetary union in 1999. Mr Jessop says "It is an accident waiting to happen" and that high-yielding markets will be the high yield.

He expects that by the autumn the weakness of European economic recovery and fiscal difficulties will undermine efforts to meet Maastricht targets.

Spain, another beneficiary of the convergence trend, also outperformed core markets yesterday, with the 10-year yield spread narrowing by 4 basis points to 228 points. On Mefi, the 10-year September bond settled at 100.55, up 0.41. A 5 basis point cut in the intervention rate by the Bank of France, helped the short end of the French curve, marginally reducing the yield spread between German and French two-year paper. Mr Jessop expects a further 5

BZW to lead secondary sell-down for Railtrack

By Antonia Sharpe

BZW, the arranger of the £2.35bn credit facility for Railtrack, the recently privatised British rail network, is leading a secondary sell-down of the loan in an attempt to halve the

SYNDICATED LOANS

commitments which it and its fellow underwriters were left with following a poor general syndication phase.

The 5½-year loan was underwritten in April by BZW, Credit Suisse, Deutsche, Fuji, Kreditbank, Midland, Royal Bank of Scotland and WestLB.

The banks had expected to reduce their commitments from £200m to £100m but only £700m was raised in syndication.

The underwriters were left with £200m each, although BZW's commitment is thought to be closer to £250m.

The disappointing syndication was blamed on several factors, from the slim pricing and the lack of a credit rating, to concerns about Railtrack's future if there was a change of government.

However, since its privatisation in May, Railtrack has obtained ratings from Standard & Poor's and Moody's, of A plus and A2 respectively, slightly higher than expected.

Bankers involved in the secondary sell-down say Railtrack's rating, its successful flotation and annual results should encourage the dozen or so banks which came close to committing during general syndication to do so now.

Railtrack is closely assisting in the marketing of the secondary sell-down. It is unusual for a company to get involved in a sell-down because most treasurers do not approve of their core banks indulging in this activity.

Bankers said that although

TOP ARRANGERS OF EUROMARKET LOANS

Table with columns: Arranger, Jan-June 1998, % Issues, \$bn, 1998, % Issues, \$bn. Includes BZW, NatWest Markets, Deutsche M.Granfell, etc.

BZW, which in April jumped to the top of EuroMoney's widely-watched table of euromarket loan arrangers for the first time in three years following the signing of the Railtrack facility, remains in pole position at the half-year stage.

Acquisition financings, notably in the utilities sector, and pre-privatisation loans, such as those for Railtrack and British Energy, the UK nuclear power generator in the process of being floated, are behind BZW's rise to the top. It is believed to have been to remain high in the arrangers table but equally been not to be one of the biggest providers of funds to the market, reflecting the aim of Barclays, its parent, to manage the group's loan portfolio more actively.

The two biggest upsets in the table are Citicorp, which has slid to 8th from 1st at the end of 1995, and JP Morgan which has fallen to 7th place from 2nd. However, the two banks are set to recover their lofty positions in the coming months when several large loans, for example those for Philips and Saab, are signed.

The half-yearly volume data from EuroMoney, of \$17.5bn, bear out bankers' predictions at the start of the year that volume in 1998 is unlikely to reach the \$93.5bn achieved in 1995. Volume last year was boosted by the mass move by companies to refinance their loans on finer terms. Bankers believe that business in the second half of the year will depend mainly on continued M&A activity.

unusual, it was in Railtrack's interest to do so in order to pacify the eight underwriters, some of which are unhappy about the size of their commitments.

They added, however, that Railtrack would have to alter its plans to assign its future business to its 10 core banks, since this stance had removed any incentive for other banks to join in the general syndication phase.

Today should see the launch of the long-awaited loan for the Hellenic Republic. A grand total of 18 banks have been appointed to arrange the \$500m

five-year facility, which represents fresh funds for the borrower. Bank of Tokyo and UBS are running the books during the two-week syndication period. The margin is believed to be 45 basis points for the first three years, rising to 50 basis points in the final two years.

This compares with a margin of 80 basis points on a loan which Greece signed in March last year. Bankers said the lower margin reflected the current appetite for Greek assets and the general erosion in margins to emerging market credits.

Strong demand for short-term FRNs

By Samer Iskander

Primary market activity was subdued yesterday, in the absence of US market participants and ahead of today's truncated trading session. Meanwhile, French issuers were in the process of satisfying the unusually strong demand for short-term floating-rate paper.

INTERNATIONAL BONDS

Caisse Centrale du Crédit Immobilier de France issued FF1.5bn of step-up puttable notes maturing in three years. The coupon was set at 5 basis points below 3-month Pibor during the first year, but will increase in the second year and again in the third.

By making the bonds puttable on every quarterly coupon date after the first year, the issuer widened the potential investor base to include short-term money-market funds. The lead manager, Crédit Commercial de France, said about half the amount

Table with columns: Borrower, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Includes Japan Energy Corp, Swiss Finance, etc.

Real rates: non-coupon issues stated. Yield spread over relevant government bond at launch supplied by lead manager. Estimated. Convertible, 6% with equity warrants. 2 Floating-rate notes. 4 Semi-annual coupon. R: fixed re-offer price; fee shown at re-offer level. 4: 3-month Pibor - 5bp for 1st yr; 3-month Pibor +10bp for 2nd yr; 3-month Pibor +20bp for 3rd yr.

was being placed with foreign investors. "Corporates and banks are cash-rich and, when you look at the yield curve from non-resident investors' perspective, only the zero to two-year area (of the yield curve) offers a pick-up over German yields; so that is the area where most of the demand is concentrated," said an official at CCF.

French bankers were also confident the FF1.5bn asset-backed issue for Cyber-Val 07-96 would sell "like hot cakes", despite the impressive amount. Even the one-year tranche, expected to be priced at around Pibor flat, seems set to meet strong demand.

"Even slightly below Pibor, the yield would be attractive... This level is still about 50 basis points over Libor rates on D-Marks", said one syndicator in Paris. The deal is likely to be launched as soon as next week.

Elsewhere, Woolwich Building Society announced its intention to issue subordinated debt in euro territory, possibly in the next few days. BZW and UBS will be joint lead managers.

Russian debt prices gain more ground

By Richard Lapper

Russian debt prices gained further ground yesterday following confirmation of Mr Boris Yeltsin's victory at the polls. Prices of dollar-denominated Vneshekonbank debt

EMERGING DEBT MARKETS

had surged early on Tuesday evening as the first election results emerged.

Dealers quoted Vneshekonbank debt at a bid price equal to 5¼ per cent of face value compared with an opening price of 50 per cent, a rise of 1.2 per cent.

Mr Richard Gray, emerging markets economist at Bank of America, said the scale of Mr Yeltsin's victory had encouraged further buying. He predicted, though, that the market could become vulnerable to profit-taking if it made further gains from current levels.

WORLD BOND PRICES

Table with columns: Country, Coupon, Maturity, Price, Change, Yield, Week ago, Month ago. Includes Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK, US Treasury, ECU, London closing, etc.

BUND FUTURES OPTIONS (LIFE) DM250,000 points of 100%

Table with columns: Strike, Price, Aug, Sep, Oct, Dec, Aug, Sep, Oct, Dec. Includes calls and puts.

ITALY NATIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFE) Lit 200M 100% of 100%

Table with columns: Strike, Price, Sep, Oct, Dec, Sep, Oct, Dec. Includes calls and puts.

SPAIN NATIONAL SPANISH BOND FUTURES (METF)

Table with columns: Strike, Price, Sep, Oct, Dec, Sep, Oct, Dec. Includes calls and puts.

UK NATIONAL UK GILT FUTURES (LIFE) £50,000 52nds of 100%

Table with columns: Strike, Price, Sep, Oct, Dec, Sep, Oct, Dec. Includes calls and puts.

GERMANY NATIONAL GERMAN BUND FUTURES (LIFE) DM250,000 100% of 100%

Table with columns: Strike, Price, Sep, Oct, Dec, Sep, Oct, Dec. Includes calls and puts.

UK GILTS PRICES

Table with columns: Item, Bid, Offer, % of par, % of par, % of par, % of par. Includes Short-term, Medium-term, Long-term.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Price Index, UK Gilts, US Treasuries, etc. Includes 1 Up to 5 years, 2 5-15 years, etc.

FT-DOLLAR FIXED INTEREST INDICES

Table with columns: Price Index, US Treasuries, etc. Includes 6 Up to 5 years, 7 5-15 years, etc.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, Ctg, Yield. Includes US Dollar, UK Gilts, etc.

OTHER FIXED INTEREST

Table with columns: Item, Bid, Offer, % of par, % of par. Includes Asian Govt, etc.

CONVERTIBLE BONDS

Table with columns: Issued, Bid, Offer, Price. Includes Allied-Lyons, etc.

EUROPEAN MARKET STRATEGIES

Table with columns: Item, Bid, Offer, % of par, % of par. Includes Asian Govt, etc.

GLT EDGED ACTIVITY INDICES

Table with columns: 5-day average, 10-day average, etc. Includes 72.2, 84.8, 77.4, etc.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, Ctg, Yield. Includes US Dollar, UK Gilts, etc.

OTHER FIXED INTEREST

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CURRENCIES AND MONEY

MARKETS REPORT

Markets await US data as Yeltsin win brings relief

By Graham Bowley

Currency markets generally lacked direction yesterday with US exchanges on holiday for Independence Day and as traders waited for important US employment data today.

The dollar lacked impetus after the US FOMC left interest rates unchanged after its meeting ended on Wednesday. Attention is now turning to a possible rate rise at the next meeting in August.

The dollar finished little altered in London at DM1.6355, from DM1.6352. Against the yen it closed at ¥110.976.

The French franc remained stable after the Bank of France lowered the intervention rate from 3.5 per cent to 3.55 per cent. The franc closed at FF193.81 against the D-Mark.

The decisive victory for President Boris Yeltsin in the Russian presidential election brought some relief to investors who had feared a communist win. The D-Mark which

suffered slightly in anticipation of a communist victory enjoyed a better day yesterday. President Yeltsin's victory prompted a rally in most central European currencies, although the Russian ruble was largely untroubled.

The Czech koruna rallied strongly as investors were attracted by high long-term interest rates on Treasury bonds and the expectation that short-term interest rates may rise further.

The Indonesian rupiah came under pressure on rumours that President Suharto was ill health. The rumours were later denied.

Sterling was little changed, closing at DM2.3770, from DM2.3777. Against the dollar it closed at \$1.5603, from \$1.5600.

The strong support for President Yeltsin in the final round of the Russian elections was a sign that the public is finally turning its back on the communist past, analysts said.

"The reform process is now more secure and is not just dependent on one personality," said Mr Paul Meggysey, senior currency strategist at Deutsche Morgan Grenfell in London.

He said the D-Mark was still troubled by some concern about President Yeltsin's poor health and about who would succeed him. But he said this was now less of a negative factor following the strong support for reform displayed in the vote.

Mr Hans Tietmeyer, Bundesbank president, added to the debate on European monetary union. He said EMU offered Europe a chance of permanent currency stability but that it

was not a guarantee of it. He said EMU's success depended on the careful selection of member nations and their willingness to agree to more political integration, including areas like fiscal discipline.

The Bank of France's surprise decision to trim the intervention rate could be a signal that interest rates could move lower, but the room for further cuts was limited by German interest rate policy, analysts said.

"It is a symbolic gesture but the Bank of France will have minimum impact for further cuts as long as the Bundesbank keeps rates on hold," said one analyst.

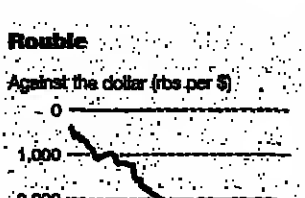
The Italian lira failed to breach the key L1,000 level in spite of growing optimism about the currency following the decision on Wednesday by Moody's, the international debt agency, to upgrade Italy's rating. The lira closed in London

against the D-Mark at L1,004, from L1,006.

The Indonesian rupiah's sharp fall following rumours that President Suharto had suffered a heart attack slowed after the president later appeared in public.

But the currency came under further pressure on reports that the leader of the country's opposition party had filed a huge law suit against the government.

Mr Steve Jennions, emerging markets analyst at Banque Indosuez in London, said there was growing concern in the market about the lack of an apparent successor for the president, who has been in power for 30 years.



Ruble Against the dollar (RUB per \$)

POUND SPOT FORWARD AGAINST THE POUND

Table showing Pound Spot Forward Against the Pound rates for various countries including Europe, Asia, and Africa. Columns include Country, Currency, Bid/offer, and various forward rates.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table showing Dollar Spot Forward Against the Dollar rates for various countries including Europe, Asia, and Africa. Columns include Country, Currency, Bid/offer, and various forward rates.

CROSS RATES AND DERIVATIVES

Table of Cross Rates and Derivatives including Exchange Rates (e.g., DM/\$, DM/£) and Futures (e.g., D-Mark Futures, Swiss Franc Futures).

UK INTEREST RATES

Table of UK Interest Rates showing London Money Rates and UK Clearing Bank Lending Rates for various terms.

BASE LENDING RATES

Table of Base Lending Rates for various banks and financial institutions, including Aden & Company, Allied Trust Bank, and others.

WORLD INTEREST RATES

Table of Money Rates showing interest rates for various countries like Belgium, France, Germany, Ireland, Italy, Netherlands, Switzerland, and the US.

EURO CURRENCY INTEREST RATES

Table of Euro Currency Interest Rates for various Eurozone countries including Belgium, Denmark, D-Mark, Dutch Guilder, French Franc, etc.

OTHER CURRENCIES

Table of Other Currencies showing rates for countries like Argentina, Brazil, Canada, Hong Kong, India, Israel, Japan, etc.

THREE MONTH EURO CURRENCY FUTURES

Table of Three Month Euro Currency Futures for various countries and currencies.

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COMMODITIES AND AGRICULTURE

Paris market opens doors to wheat futures trading

Andrew Jack reports on an innovation that only became possible after the repeal of a 60-year-old law

The circular Bourse de Commerce building in central Paris acquires a new occupant this morning as trading begins in the market for the latest product launched by the Matif, the French financial futures market.

From 10.30am it will be host to daily trading in wheat futures - a product for which there has been a growing level of interest in the past few months after many years during which it was both unnecessary and illegal.

It was only last month that such trades became legal under French law. Legislation dating from 1936 under the country's socialist *Front Populaire* government explicitly banned speculation in wheat - a ruling reinforced by a decree of the Vichy government of Marshal Petain in 1940.

The modification came in June this year, when the French parliament approved the lifting of the ban during discussions on the passage of a far broader bill for the reform of the financial services sector, designed to meet the European Union investment services directive.

It is also thanks to the EU that there is even a demand for



Trading starts this morning in the circular Bourse de Commerce building

wheat futures, making the Matif's market necessary. The creation of the Common Agricultural Policy with its intervention price for wheat severely reduced the uncertainty for producers and the fluctuation in prices among member states.

But reforms of the CAP undertaken since 1992 have cut

the intervention price sharply - from FF1,255 (\$243) to FF788 a tonne in the following year, with further declines since - while placing greater priority in the policy on direct aid per hectare.

In addition, the General Agreement on Tariffs and Trade accords that came into effect in 1995, have touched

agricultural production, stressing greater openness of the markets, less subsidisation of exports and a reduction in internal support.

The result has been a significant degree of fluctuation in wheat prices in the past few years, with the market price always higher than the residual intervention price, and a

corresponding growth in demand for a way to hedge against this uncertainty.

While it is better known for financial products, which dominate its turnover, the move of the Matif into commodities is nothing new.

Two years after its creation in 1996, it merged with the former French stock exchange already traded in coffee, cocoa and sugar futures. White sugar and potatoes futures are still traded, though those in cocoa and coffee have been abandoned.

Its own direct ventures into the field began with the colza or rapeseed contract launched in October 1994. The relative success of the contract, which was viewed as a trial run for other products, inspired a more detailed consideration of wheat futures, beginning with a study launched in June last year.

The potential is enormous. Wheat and rice are the two most widespread cereal products in the world, and the second largest wheat producer after China, with 15.8 per cent of the market in 1994-95, and the third largest exporter.

However, the Matif is not

alone in the market. The Netherlands launched its own wheat contracts at the start of last month and the London Commodity Exchange contract has been trading for many years. Other competitors may yet follow.

Matif's executives argue that their experience with the colza contract already gives them experience in commodity trading, that there are a number of common clients for rapeseed and wheat who will be tempted by the new market, and that France's important role in wheat production gives it a competitive edge.

Today was chosen for the start of operations so that any initial glitches could be ironed out over the weekend after a single day's trading. There are eight clearing members and a further six authorised commodities brokers, who must clear their trades through the clearing members each day.

Officials have been reluctant to provide any forecasts of how the trading will develop. However, some market professionals believe that after a possible slow start, the market could be trading 500 to 1,000 lots a day within three years.

Copper price fall stalls Chilean mine project

By Bernard Simon in Toronto

Tumbling copper prices have forced a delay in development of the US\$340m Lomas Bayas copper mine in northern Chile.

The project's owner, British Columbia-based Gibraltar Mines, said it was unable to secure a firm underwriting commitment for US\$160m in debt financing required before construction could begin.

Gibraltar hoped to announce a go-ahead for the mine this week, with production scheduled to start in early 1998. Initial output was set at 60,000 tonnes of copper a year, with a possibility of raising the target to 90,000 tonnes.

The company, which is 31

per cent owned by Placer Dome, the international gold producer, said talks with prospective lenders were continuing and "alternative options to expedite a production decision are being evaluated".

It added that "the question is not whether we have a mine but when it will be built". A number of other projects may also be in jeopardy as a result of recent turmoil in the copper market - Cyprus Mines, the large US producer, indefinitely shelved a planned US\$200m share offering last month.

Gibraltar shares lost C\$1.15 to C\$3.90 in early trading on the Toronto Stock Exchange yesterday.

Uganda plans land give-away in drive for cotton revival

Uganda will give land to large investors as part of its plan to revive the cotton industry, reports Reuters from Kampala.

Outgoing trade and industry minister Mr Richard Kaijuka said investors with \$50m would qualify.

"We are talking to investors in Israel, Egypt and South Africa to invest in large-scale farming of cotton," he said.

"The plan is to boost production to around 1m bales (400lb each) per year in four or five years time. That way it will be economical for the investors to construct textile mills in the way it happened in Mauritius."

Mr Kaijuka said the government would buy land to give to investors.

Ugandan cotton production slumped during the chaotic rule of Idi Amin. Output in the current season (December-November) is put at 55,000 bales, against a peak of 445,000 in 1965-66.

Officials expect a rise to 150,000 bales in 1996-97. Uganda has been trying to

revive its cotton industry since 1993 with the help of a \$80m World Bank loan and donors see textiles as a key to Uganda's economic recovery.

Industry reforms included selling the state buying monopoly and government-owned ginneries to private operators. Now farmers earn more from private buyers than they did from the Lint Marketing Board, which took cotton on credit, officials said.

The government's quality drive includes distribution of free seed that produces the fatter, firmer fibres sought by producers of polyester-mix fabrics, officials said. Farmers are also being urged to use fertilizer to more than double current yields.

Mr Kaijuka said the government would keep encouraging small growers but did not see them emerging as major players.

President Yoweri Museveni was expected to name a new government yesterday following parliamentary and presidential elections.

Venezuelan coal mine set for 350% output boost

By Ray Collitt in Caracas

Ruhrkohle AG and Shell Coal International along with their Venezuelan partner Carboviala, a subsidiary of the state oil company PDVSA, have presented plans to invest about \$1bn to boost coal production in their Carabobo del Guasare joint-venture from the current 4m tonnes a year to 18m tonnes annually in four to five years' time.

The Guasare basin is located in north-western Venezuela close to the Colombian border and its coal deposits are similar to those in the nearby El

Correjon valley in eastern Colombia.

The open-pit Paso Diablo mine is at present producing some 4m tonnes of high quality coal annually, all of which is exported to Europe and the US. Under the planned expansion its production capacity will go up to 8m tonnes a year by the year 2001. During the same period the parallel development of the Socuy mine would result in the annual production of at least an equal amount.

The increased output would be shipped out of a deep-sea terminal to be constructed at Paruru on the Gulf of Venezuela some 100km north of the

city of Maracaibo. This terminal could service ships with a capacity of up to 300,000 tonnes, compared to the 50,000 tonnes ships that can be handled by the company's current shallow-water port. In the meantime Carboviala estimates surface mineable reserves at 400m to 500m tonnes and 30m to 50m tonnes of underground reserves, though the latter figure could be increased following a current reappraisal of the mineral deposit.

With coal now being transported by truck from the mine to the port, a 90km railway, which would dramatically reduce transportation costs, is also on the drawing board. "This is one of the world's

largest coal development projects," said a executive of Ruhrkohle, who added that there was strong demand for the coal, which had a low sulphur content, a high calorific value and produced little ash. Carboviala estimates surface mineable reserves at 400m to 500m tonnes and 30m to 50m tonnes of underground reserves, though the latter figure could be increased following a current reappraisal of the mineral deposit.

With PDVSA's resources committed to an aggressive plan to increase petroleum production while at the same time, under political pressure,

helping to finance the government's budget deficit, Carboviala may well be strapped for cash and seek outside financing.

"Though the capital requirements are perhaps small by comparison," said one executive at Carboviala del Guasare, "I don't think this project will be equity financed". He added that the technical design was being completed, though the financial blueprint was not expected to be ready until early next year.

Ruhrkohle and Shell each acquired a 25 per cent share in the Paso Diablo mine when Agip sold its 50 per cent stake



in 1995. A new consortium, Carboviala del Guasare, was then formed in which Carboviala holds the remaining 50 per cent.

Importance of cocoa quality checks stressed

Ghana must keep up-country cocoa quality checks in place despite donor-backed moves to streamline the sector because they cost less than the sales premium they safeguard, a senior Ghana Cocoa Board (Cocobod) said here yesterday, reports Reuters from Abidjan, Ivory Coast.

"For any restructuring which is to be carried out the first consideration is that it should not affect cocoa quality," Mr James Amoah, head of policy planning, monitoring and research at Cocobod, the state-run cocoa marketing agency, told a UN Common Fund for Commodities workshop.

Ghana is widely regarded as best quality cocoa and often attracts a \$30-a-tonne premium over terminal market prices. Many other origins sell at a discount.

"If you remove up-country quality control and check quality at the ports... there is no

saving," said Mr Amoah. Cocoa traders say donor-backed liberalisation of Africa's cocoa sectors has often resulted in lower bean quality, partly because a proliferation of small, inexperienced buyers tended to grow up after state marketing monopolies were relaxed and partly because of the removal of up-country quality control checks in an attempt to save money and speed up marketing.

The value of Nigerian and Cameroonian cocoa has fallen because of post-reform quality problems, traders say, and they worry that cocoa from the Ivory Coast, top producer, may go the same way. Ivory Coast's Calstab marketing agency closed its up-country testing centres last year as part of a \$150m World Bank loan deal.

Mr Amoah said Ghana would not be rushed into making quality-control reforms because Cocobod studies had

shown it would be a false economy to change the system. "We have worked out the cost of these quality controls. By economic analysis we found that the premium we have been receiving outweighs the cost," he said.

The premium more than compensated for quality control operating costs and for potential government tax revenue while bean income lost when bad beans were not marketed, Mr Amoah said, and all three of Ghana's quality checks were necessary.

"The first check is more or less testing the farmer, checking he knows what he is supposed to deliver for sale. The up-country produce clerks have been taught to tell a farmer what he should bring."

"The second-stage inspection at the depots and the take-over points is a quality check on the internal buyers. "The final check [at the port] is to make sure the quality

standards stated in the contracts are met because your premium and market image depend upon your ability to deliver what you indicated in your contract."

Mr Amoah said Ghana had tried to comply with donor requirements and had slashed the Cocobod's staff to 10,400 in 1994 from 40,000 in 1992, when private firms were licensed to buy cocoa from farmers. In 1995 it had 50,000 employees.

Looking to the long term, he said that although Cocobod had kept its quality checks it was also helping farmers co-operatives to build up quality control experience in case the board was dismantled in the future. "Farmers should be able to export cocoa of high quality on their own initiative," he said, spelling out a key condition for any such change. "The absence of the Cocoa Board may not necessarily mean the absence of Ghana's premium quality cocoa."

Metal recovery from Orimulsion planned at German plant

A German plant to recover metals from the Venezuelan fuel Orimulsion will open next year, a senior Venezuelan oil official said on Thursday, reports Reuters.

The plant at Hennstedt, near the Danish border, will recover 2,000 tonnes of vanadium pentoxide, 250 tonnes of nickel and 14,000 tonnes of magnesium sulphate a year, Mr Daniel Ramirez-Isava, president of Bitor Europe, which markets Orimulsion, said in London.

He said the metals would be recovered from ash produced at a power plant in Denmark that imports 1m to 1.5m tonnes of Orimulsion a year. The recovery plant will be owned by a joint venture in which Bitor Energy has a 45 per cent

stake, Reakt of the UK will have 10 per cent and Strategic Metals Corp (Stratcor), a US producer and marketer of vanadium, 45 per cent.

There are plans for Britain to import 4m to 5m tonnes of Orimulsion a year to be burnt at a power plant in Pembroke, south Wales if and when the government gives its approval. Mr Ramirez-Isava said another metal recovery plant might eventually be built at Pembroke if the government gave the go-ahead for the power station, which he expected by the end of this year.

Orimulsion consists of heavy crude oil mixed with about 30 per cent water. Venezuela plans to increase production from 4.8m tonnes this year to 8m by 2000.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Arranged Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)	
Cash	3 mths
1476-77	1513-15.5
Previous	1471.5-72.5
High/Low	1509-69
AM Official	1476
Kerb close	1512.5-13
Open int.	240,021
Total daily turnover	34,182
COPPER (\$ per tonne)	
Cash	3 mths
788-7	794-5
Previous	785-5
High/Low	794-5
AM Official	787/782
Kerb close	795-5.5
Open int.	33,100
Total daily turnover	4,649
NICKEL (\$ per tonne)	
Cash	7565-75
Previous	7520-13
High/Low	7715-20
AM Official	7520/7540
Kerb close	7655-57
Open int.	42,584
Total daily turnover	4,645
ZINC (\$ per tonne)	
Cash	6430-30
Previous	6390-40
High/Low	6410-15
AM Official	6395-400
Kerb close	6425-30
Open int.	16,252
Total daily turnover	4,817
SPECIAL HIGH GRADE (\$ per tonne)	
Cash	1006.5-7.5
Previous	1005-06
High/Low	1005-06
AM Official	1005-06
Kerb close	1003-32.5
Open int.	69,559
Total daily turnover	10,285
COPPER, grade A (\$ per tonne)	
Cash	1925-40
Previous	1865-40
High/Low	1910-12
AM Official	1895/1927
Kerb close	1895/1965
Open int.	1978-80
Total daily turnover	1998-97

Base metals continued

LME AM Official 2/5 rate: 1.5617

LME Clearing 2/5 rate: 1.5995

Spot: 15081 3 mths: 1.5576 6 mths: 1.5590 9 mths: 1.5595

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz) \$ price £ equiv SFR equiv

Close 381.00-381.45

Opening 380.80-381.30

Morning fix 380.80 243.70 477.65

Afternoon fix 381.00 243.98 477.58

Day's High 381.30-381.80

Day's Low 380.20-380.90

Previous close 382.00-382.40

Loco Ldn Mean Gold Lending Rates (% US\$)

1 month -1.13 8 months -3.85

2 months -4.08 12 months -3.81

3 months -4.02

Silver Fix: price £ equiv US cts equiv

Spot 324.50 507.50

3 months 323.80 513.45

6 months 322.85 510.10

1 year 341.00 553.25

Gold Coins: \$ price £ equiv

Kruggerand 382.5-383.5 245-247

Maple Leaf 383.05-382.55 250 11,212

New Sovereign 67-89 56-57

VOLUME DATA

Open Interest and Volume data shown for contracts traded on LME Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months. US Markets are closed for the Independence Day holiday.

ENERGY

CRUDE OIL (PE \$/barrel)

Sett Day's price change High Low Vol Open

Jul 19.52 -0.21 19.55 19.38 13,087 41.32

Aug 18.90 -0.22 18.94 18.73 4,475 57.01

Oct 18.45 -0.17 18.51 18.36 1,324 23,224

Nov 18.05 -0.14 18.11 18.09 452 5,839

Jan 17.75 -0.17 17.78 17.71 249 13,426

Mar 17.45 -0.16 17.50 17.50 200 11,212

Total 15,474 185,252

GAS OIL (PE \$/barrel)

Sett Day's price change High Low Vol Open

Jul 17.25 +0.00 17.75 17.00 5,008 14,487

Aug 17.25 -0.25 17.00 16.75 4,225 16,229

Sep 17.25 -0.10 17.00 16.75 2,871 8,430

Oct 16.80 +0.00 16.80 16.80 18 1,719

Nov 16.80 -1.25 16.80 16.80 802 6,782

Total 13,539 60,800

GRAINS AND OIL SEEDS

WHEAT LCE (\$ per tonne)

Sett Day's price change High Low Vol Open

Jul 108.80 -0.10 110.90 109.50 49 179

Aug 112.50 -0.50 113.10 112.30 107 3,000

Nov 114.45 -0.50 115.25 114.50 128 0,214

Mar 116.50 -0.80 116.85 116.50 29 372

May 116.80 -0.30 - - - 132

Total 322 5,192

BARLEY LCE (\$ per tonne)

Sett Day's price change High Low Vol Open

Jul 103.85 -0.35 104.25 104.00 5 78

Aug 105.85 -0.50 106.30 105.75 71 73

Nov 107.75 -0.20 107.9 107.5 177

Mar 108.40 -0.80 - - - 46

May 111.85 -0.80 - - - 7

Total 94 1,081

POTATOES LCE (\$/tonne)

Sett Day's price change High Low Vol Open

Jul 85.8 - - - - - -

Aug 110.0 - - - - - -

Sep 121.2 -1.4 124.0 118.5 79 1,297

Nov 137.0 -5.2 - - - -

Jan 162.5 - - - - - -

May 111.85 -0.80 - - - 7

Total 112 4,288

FREIGHT (DIFFER LCE \$/100 tonne point)

Sett Day's price change High Low Vol Open

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances
FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4378 for more details.

Main table containing FT Managed Funds Service listings. Columns include Fund Name, Currency, and various performance metrics. Major sections include Luxembourg (REGULATED), Offshore Funds and Insurances, and Offshore Insurances.

OFFSHORE INSURANCES

Table listing Offshore Insurances with columns for Fund Name, Currency, and other details.

JAVICO LTD

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 578 4976 for more details.

Main table containing FT Cityline Unit Trust Prices, listing various fund names, prices, and performance metrics across multiple columns.

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OTHER OFFSHORE FUNDS

Table listing other offshore funds, including fund names, prices, and performance data.

MANAGED FUNDS NOTES: Information regarding fund management, including details on fund objectives and performance.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table with 2 columns: Company Name, Price/Value

BANKS, MERCHANT

Table with 2 columns: Company Name, Price/Value

BANKS, RETAIL

Table with 2 columns: Company Name, Price/Value

BREWERIES, PUBS & REST

Table with 2 columns: Company Name, Price/Value

BUILDING & CONSTRUCTION

Table with 2 columns: Company Name, Price/Value

BUILDING MATS. & MERCHANTS

Table with 2 columns: Company Name, Price/Value

CHEMICALS

Table with 2 columns: Company Name, Price/Value

CHEMICALS - Cont.

Table with 2 columns: Company Name, Price/Value

DISTRIBUTORS

Table with 2 columns: Company Name, Price/Value

DIVERSIFIED INDUSTRIALS

Table with 2 columns: Company Name, Price/Value

ELECTRICITY

Table with 2 columns: Company Name, Price/Value

ELECTRONIC & ELECTRICAL EQPT

Table with 2 columns: Company Name, Price/Value

ELECTRONIC & ELECTRICAL EQPT - Cont.

Table with 2 columns: Company Name, Price/Value

ENGINEERING

Table with 2 columns: Company Name, Price/Value

ENGINEERING - Cont.

Table with 2 columns: Company Name, Price/Value

ENGINEERING, VEHICLES

Table with 2 columns: Company Name, Price/Value

EXTRACTIVE INDUSTRIES

Table with 2 columns: Company Name, Price/Value

EXTRACTIVE INDUSTRIES - Cont.

Table with 2 columns: Company Name, Price/Value

FOOD PRODUCERS

Table with 2 columns: Company Name, Price/Value

FOOD PRODUCERS - Cont.

Table with 2 columns: Company Name, Price/Value

GAS DISTRIBUTION

Table with 2 columns: Company Name, Price/Value

HEALTH CARE

Table with 2 columns: Company Name, Price/Value

HOUSEHOLD GOODS

Table with 2 columns: Company Name, Price/Value

INSURANCE

Table with 2 columns: Company Name, Price/Value

INVESTMENT TRUSTS

Table with 2 columns: Company Name, Price/Value

INVESTMENT TRUSTS - Cont.

Table with 2 columns: Company Name, Price/Value

INV TRUSTS SPLIT CAPITAL

Table with 2 columns: Company Name, Price/Value

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10 STEPS TO BUSINESS CONTINITY

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, and % Change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

OTHER FINANCIAL - Cont.

Table listing other financial companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for Name, Price, and % Change.

AM - Cont.

Table listing American companies with columns for Name, Price, and % Change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Change.

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, and % Change.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for Name, Price, and % Change.

RETAILERS, FOOD

Table listing food retailers with columns for Name, Price, and % Change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, and % Change.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % Change.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, and % Change.

MEDIA

Table listing media companies with columns for Name, Price, and % Change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, and % Change.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, and % Change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, and % Change.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for Name, Price, and % Change.

PROPERTY

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, and % Change.

WATER

Table listing water companies with columns for Name, Price, and % Change.

AM

Table listing American companies with columns for Name, Price, and % Change.

Advertisement for Stoves PLC featuring the text: 'FLEXIBILITY IS KEY TO OUR SUCCESS. THE WILLINGNESS OF OUR WORKFORCE TO EMBRACE NEW WAYS OF FLEXIBLE WORKING HAS BEEN INVALUABLE.' Includes contact information for John Crathorne, Chief Executive.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Data, a subsidiary of the Financial Times Group. Company classifications are based on those used for the FT-SE Actuaries Share Index. Details regarding data accuracy, updates, and contact information.

FT Free Annual Reports Service

Information about the FT Free Annual Reports Service, including details on how to obtain reports, the types of reports available, and contact information for the service.

LONDON STOCK EXCHANGE

MARKET REPORT

Dealers wrong-footed by surprise buying burst

By Steve Thompson, UK Stock Market Editor

A surprise burst of buying interest in derivatives caught London's marketmakers on the wrong foot yesterday, causing them to scramble to close short positions in many of the leading stocks.

short positions in the derivatives. The head trader at one big London broking house said most marketmakers had been "taken to the cleaners" by the market's sudden rise.

UK gilt-edged securities, also showing relief that UK interest rates were left unaltered after Wednesday's meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, gave a confident performance.

The FT-SE 100 index, which has looked increasingly vulnerable over the past couple of sessions, raced higher from the outset, eventually closing just off the day's high, up 46.5 at 3,760.8. The FT-SE mid 250, on the other hand, could only muster a 4.9 rise at 4,229.2.

There was further strong support for the banks sector, one of the best performing areas of the market over the past few sessions, with the big mortgage lenders aggressively bought.

FT-SE-A All-Share Index

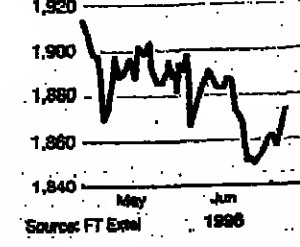


Table with 2 columns: Index Name and Value. FT-SE 100: 3760.8 (+46.5); FT-SE Mid 250: 4229.2 (+4.9); FT-SE-A 350: 1892.0 (+1.7); FT-SE-A All-Share: 1875.47 (+17.09); FT-SE-A All-Share yield: 3.85.

Equity shares traded

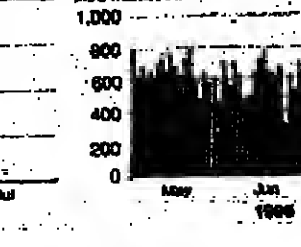


Table with 2 columns: Index Name and Value. FT Ordinary index: 2761.4 (+32.8); FT-SE-A Non Fin p/s: 3704.0 (+17.0); FT-SE 100 Div: 7.88; 10 yr Gilt yield: 7.93; Long gilt yield ratio: 2.16.

Rebound for glass leader

Glass giant Pilkington shot forward as brokers turned positive in the wake of this week's upbeat presentation by the company.

Charterhouse Tilney moved from "hold" to "buy", and HSBC James Capel was also said to be recommending the shares after recent weakness.

back shares. The stock climbed 17 to 63p. NatWest shares led the banking sector higher as investors moved in on the back of yesterday's strong market rally.

Merrill Lynch has published a sell note and reduced its earnings estimate for this year and next by about 20 per cent. The move reflects the continuation of a poor paper industry background.

the likelihood of flatfish profits from its R-R unit this year. TI Group stood out against the market uptrend, giving up a penny to 544p after a leading broker was said to have turned seller on the stock.

Electronics giant GEC continued to power ahead on the back of Wednesday's upbeat results and the flow of positive broker notes that ensued.

ment. The stock stood at 348p at the end of June. It closed 23p better at 448p yesterday. Brotherton fell more than 12 per cent following news of management changes.

United Biscuits rose 6 to 222p. ABB Amro Hoare Govett upgraded its 1997 forecasts for UB and lifted its recommendation on the stock to "hold" from "overvalued".

Bye Ties Television, lost 2 at 886p, with additional pressure from a large delayed trade. A block of 5m shares was dealt at 516p a share, significantly below the prevailing market price and the stock subsequently trickled out at 622p.

Yorkshire TV sold at 128p. ABB Amro Hoare Govett, the company which owns Chelsea Football Club, jumped 23 to 91p after it was announced that Mr Matthew Harding, the chief executive elect had agreed to acquire 6.6m shares at 62p. The stock was also helped by the signing of Roberto di Matteo, of top Italian side Lazio.

FUTURES AND OPTIONS

Table with 2 columns: Instrument Name and Price. FT-SE 100 INDEX FUTURES (LFF) 25 per full index point: Open 3713.0, High 3760.8, Low 3707.0, Close 3760.8.

Table with 2 columns: Instrument Name and Price. FT-SE 100 INDEX OPTION (LFF) 25 per full index point: Call 4065.0, Put -5.0.

Table with 2 columns: Instrument Name and Price. EURO STYLE FT-SE 100 INDEX OPTION (LFF) 10 per full index point: Call 4065.0, Put -5.0.

MARKET REPORTERS

Peter John, Lisa Wood, Jeffrey Brown.

LONDON RECENT ISSUES: EQUITIES

Table with 4 columns: Issue Name, Price, Change, and Volume. Includes entries like BHP, BP, and BT.

FT GOLD MINES INDEX

Table with 2 columns: Index Name and Value. Gold Mines Index (25): 2092.91 (+4.4).

FT-SE Actuaries Share Indices

Table with 2 columns: Index Name and Value. FT-SE 100: 3760.8 (+46.5).

The UK Series

Table with 2 columns: Index Name and Value. FT-SE 100: 3760.8 (+46.5).

Hourly movements

Table with 2 columns: Index Name and Value. FT-SE 100: 3760.8 (+46.5).

FT-SE Actuaries 350 Industry baskets

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FINANCIAL TIMES EQUITY INDICES

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London market data

Table with 2 columns: Metric and Value. Total Shares: 527; Total Value: 1,623.

FT-SE Actuaries Share Indices

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Advertisement for Financial Times Group featuring a large image of a hand holding a newspaper with the word 'RUSSIA' written across it. Text includes 'GUESS WHAT 300,000 INFLUENTIAL RUSSIANS GET UP TO EVERY FRIDAY.' and 'They bury themselves in the Classified Section of their Financial Izvestia.'

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WORLD STOCK MARKETS

EUROPE

Table of stock market data for European countries including Austria, Belgium, Czech Rep, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and Switzerland.

Table of stock market data for European countries including Norway, Poland, and Sweden.

Table of stock market data for European countries including Switzerland (continued), Turkey, and various regional indices.

Table of stock market data for Asian countries including Hong Kong, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Singapore, and Taiwan.

Table of stock market data for African countries including South Africa, Egypt, and others.

Advertisement for Rockwell avionics featuring the text 'Every major world airline flies with Rockwell avionics' and the Rockwell logo.

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Market summary and closing prices for various indices and stocks, including FT 100, Nikkei, and others.

EUROPE

Nestlé, L'Oréal climb on stake sale rumours

Nestlé, the Swiss food and beverages group, and L'Oréal, the French cosmetics company, were marked up on rumours that Nestlé planned to sell its indirect stake in the French concern.

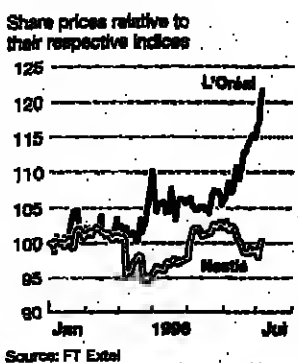
Nestlé finished Sfr19, or 1.3 per cent, ahead at Sfr1,466, off a high of Sfr1,496, and L'Oréal picked up Ffr35, or 2.3 per cent, to Ffr1,655 as both companies declined to comment on the rumours, which originated in the Paris market.

The Swiss group, which had underperformed the strong Zurich market for much of this year, stepped into the limelight on Wednesday with a 1.9 per cent rise on separate rumours that it planned to buy back its shares, and that it would carry out a top level management restructuring, along the lines of that announced by Unilever from the Anglo-Dutch group, on Monday.

FRANKFURT was good in parts. The Dax index rose 12.42 to an all-time high of 2,578.74; Thyssen, the steel and engineering group, gained Dm3.55 to Dm287 on speculation about its prospects in telecoms, and Hannover Re advanced Dm2.70 to a new high of Dm61.50 after it indicated a 30 to 40 per cent rise in net profits last year.

However, the bourse had its laggards. Karstadt, the leading

L'Oréal/Nestlé



department store group, fell Dm15 to Dm91 after the upward re-rating enjoyed by the shares in the second quarter of this year. Ecom, the all-glass computer group, came back from suspension to close Dm2.13 lower at Dm2.50; and Deutsche Babcock hit Dm68 before closing Dm14, or 17 per cent, down at a 1996 low of Dm98.50.

Mr Theo Kitz at Merck Finck in Düsseldorf said that Babcock had been promising restructuring and recovery over the last three or four years, and annually running into problems like the dollar, high wage agreements, or loss-making subsidiaries. Most ana-

lysts, he said, were sceptical about its ability to deliver.

PARIS closed near its highs, encouraged by a small cut by the Bank of France's intervention rate, from 3.60 to 3.55 per cent. The CAC-40 index rose 12.83 to 2,128.81.

Speculation in the Docks de France situation moved on to Casino, the retailer which might have qualified as a white knight in fighting off the Ancher bid, which did not appear in that guise and which, said analysts, could eventually become a takeover target itself. Casino moved up Ffr4.20 to Ffr215.50.

Lafarge, the cement group, rose Ffr3 to Ffr23 after figuring in relatively takeover situations in the UK, and in Poland. ZUBICZ climbed to a third consecutive all-time high as attention switched from the banks to Nestlé and the pharmaceuticals. The SMI index finished 14.3 higher at 3,771.3, but off its all-time intra-day peak of 3,793.1.

Winterthur rose Sfr22 to Sfr786, continuing to benefit from expectations that its co-operation with C3 Funding, to be renamed Credit Suisse Group, would prove more beneficial to the insurer. C3 Holding eased Sfr2 to Sfr181 after its recent strong gains. MILAN extended early gains

FT-SE ACTUARIES WORLD INDICES

Table with columns: Index, 20/03/96, 20/06/96, 20/07/96, % change since 20/12/95. Includes sub-sections for NATIONAL AND REGIONAL MARKETS and THE EUROPEAN SERIES.

on news that Moody's, the US ratings agency, had upgraded Italy's sovereign debt ratings, but it ended just off session highs, awaiting today's data on US June jobs and official Italian inflation figures for June.

The Comix index rose 6.55 to 651.89 and the real-time Mibtel index finished 83 higher at 10,471 off a peak of 10,565.

Analysts said that the Moody's move, announced late on Wednesday, had been long expected, but was still a welcome boost to the market. They added that figures showing that Italian investment funds had a higher net inflow in June over May helped to maintain the early gains.

Olivetti gave back L14.8 to L17.14 of Wednesday's 6.5 per cent advance. News that the group's personal computer company broke even in the second quarter and that Mr Francesco Caio had been appointed as Olivetti's CEO

came after the market closed. AMSTERDAM lifted the US rate decision and the Russian election result, but volume was lower than the AEX index rose 2.65 to 622.96.

Helneken, the brewer, rebounded from Wednesday's rumours that a US broker had been mildly bullish, pushing on F11 at F282; and Eisevier, the publisher, closed 40 cents higher at F125.10, helped by news of its plans for a joint venture with a US company to buy the US legal citation business Shepard's.

MADRID saw a good rise in Telefonica, topped again as a medium term privatisation prospect, the shares closing Ptas20 higher at Ptas2,320 in volume of some 2m as the general index finished 1.66 to 576.01.

Turnover was nearly Ptas35m. In banks, BBV rose Ptas50 to Ptas5,380 in 241,000 shares dealt as it denied that it was bidding for a Portuguese

bank, but forecast that it would invest Ptas200m (some \$20m) in Latin America between now and the year 2000.

STOCKHOLM's banking and insurance sector performed reasonably well, rising 0.6 per cent after Swedish government debt yields narrowed against a fall of 4.6 to 1,986.0 in the Amnarsvriden General index.

In pharmaceuticals, Astra A lost ground, falling SKr2.50 to SKr278 as investors took a look at Pharmacia & Upjohn, unchanged at SKr286 in the Swedish day, but slightly higher in New York later after the US Food and Drug Administration approved the non-prescription sale of its Nicotrol smoking pads in the US.

COPENHAGEN ground its way to another all-time peak, the KFX index closing 0.18 higher at 118.35 in turnover of DKr79m. Novo Nordisk put on DKr6 at DKr651, bolstered by a Goldman Sachs forecast of solid profit rises in the next three years. The construction, chemicals and packaging group Superfos took over two chemical companies in Sweden and Norway for an undisclosed price and strengthened DKr15 to DKr55.

He said that over the last two months many investors had discounted a Yeltsin victory and had already been buyers. For other would-be investors, the key question was what Mr Yeltsin would do now.

Mr Cornish believed that many foreign investors would hope to see some of the serious reformers in top jobs in the new government, which faced a series of tough decisions, one of the first of which was how to tackle the budget deficit.

WARSAW kept 4 per cent to a 27-month high on expectations that Mr Yeltsin's victory would help to draw foreign capital to central European markets, as well as to Russia. The Wig index rose 544.1 to 14,243 as investors overlooked reports that the central bank chairman had ruled out a reduction in interest rates in the near future.

BUDAPEST reversed the days of profit-taking and the Bux index finished 38.44 firmer at 3,286.58, just below the record high of 3,288.30 seen on June 29.

PRAGUE's RPIX index rose 5 to 1,150, but turnover fell to just Kcs2.6m as the market wound down ahead of a national holiday today.

ASIA PACIFIC

Reports of alleged irregular transactions hurt Daiwa

Tokyo

Reports of alleged irregular client transactions some years ago at Daiwa Securities in the US were a talking point as equities closed moderately lower, writes Erika Terazono in Tokyo.

The Nikkei 225 average lost 98.11 to 22,292.91 after moving between 22,203.88 and 22,354.20. The decision by US and Japanese monetary authorities to maintain interest rates at current levels failed to improve sentiment.

Volume shrank to 250m shares from 302m as domestic investors refrained from trading due to the US national holiday. Public funds placed orders at lower levels but failed to spur active buying.

The Topix index of all first section stocks fell 6.06 to 1,692.29 and the Nikkei 500 by 1.12 to 313.93. Declines led advances by 666 to 326, with 218 issues unchanged.

In London the ISE/Nikkei 80 index put on 0.74 to 1,506.37. Some investors were concerned by the Daiwa reports, and the broker, although it played them down, lost Y30 to Y1,389; its competitors, too, were lower, with Nikko down Y30 to Y1,180.

Investors in carmakers were concerned about an expected decline in domestic car sales for June. The sector had led the market's rise during the first half of the year and seemed vulnerable to profit-taking, said traders. Honda Motor declined Y50 to Y3,780 and Mazda Motor by Y13 to Y323.

Keioi Electric Railway declined Y30 to Y1,240 in spite of reports that its subsidiary Oriental Land, which runs Tokyo Disneyland, had applied for listing on the Tokyo stock exchange. Mitsui Fudosan, which is also a leading stakeholder in Oriental Land, fell Y40 to Y1,470.

Speculative favourites were lower as individual investors and dealers moved to take profits. Kanamatsu fell Y28 to Y799

and Nissin Electric Y36 to Y918. However, the most active issue of the day, Ichihara Sangyo, gained Y10 to Y1,420.

In Osaka, the OSE average dipped 63.17 to 23,484.43 in volume of 20.8m shares.

Roundup

Solid gains were seen in HONG KONG as investors bought blue chips and the Hang Seng index moved ahead 118.54 to 11,151.82 in turnover that improved to HK\$4.69m.

Wednesday's news that the government's given final approval for a mortgage corporation, which would allow banks to offload some of their mortgage loans, boosted banking stocks.

HSBC advanced HK\$2 to

HK\$122.60, breaking through resistance at HK\$120, and taking its rise on the week to date to HK\$35.50.

SINGAPORE was weak for a sixth consecutive day in further response to recent, disappointing corporate results, and amid suggestions that fund managers were switching funds to Hong Kong. The Straits Times Industrial index eased 3.25 to 3,289.31 in modest volume of 104.8m shares.

The newly listed engineering company Lindetev-Jacobson ended at 73 cents, against an issue price of 87 cents, in hefty volume of 21.1m shares.

KUALA LUMPUR saw further volatile trade in Sarawak Concessions, in spite of trading restrictions imposed by the exchange authorities. The

shares, marked 59 per cent higher on Wednesday, dropped M\$9.10 to M\$14 in early trade before surging ahead to close M\$10.40 or 65 per cent higher at M\$28.50. The rise has been linked to speculation about new projects related to the Bakun dam.

The broad market was held back by declines in key stocks like Telekom Malaysia, down 30 cents to M\$22, which face more competition after the government's new hands-off approach to industry rationalisation. The composite index edged up 0.25 to 1,377.99.

WELLINGTON's 50 share index edged up 0.25 to 1,377.99. Weakness in forestry, Fletcher Forest losing 4 cents at NZ\$1.70, with brokers citing reports of lower log prices for export to Japan and South

Korea. Carter Holt Harvey handed back part of Wednesday's gains, shedding 5 cents to NZ\$3.44, while Fletcher Paper was off 6 cents at NZ\$2.88. The NZSE-40 capital index closed 8.22 lower at 2,120.17 after climbing 22 points in heavy trade on Wednesday. Turnover was NZ\$63.8m. Some NZ\$25m was crossed before the opening, with large lines in Fletcher Challenge Paper, energy and forests.

SYDNEY's All Ordinaries index fell 10.1 to 2,225.7, in turnover of A\$59m, as further selling emerged among the major miners. WMC dropped 24 cents to A\$8.54 as investors took their funds out of the gold and nickel mining group, and CRA fell 32 cents to A\$19.33 on weak base metal prices.

FT/S&P ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT/S&P Actuaries World Indices as at JUNE 30, 1996 are expressed below in billions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The average volume for each US dollar index and the end of the calendar year is also provided.

Table with columns: NATIONAL AND REGIONAL MARKETS, Market cap. as at 20/03/96, % of World Index, Market cap. as at 20/06/96, % of World Index, % change since 20/12/95. Includes sub-sections for NATIONAL AND REGIONAL MARKETS and THE EUROPEAN SERIES.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries, NatWest Securities Ltd, was a co-founder of the index.

Table with columns: NATIONAL AND REGIONAL MARKETS, US Dollar Index, Day's Change, Pound Sterling, Yen, DM, Local Index, Gross Div. Yield, US Dollar Index, Pound Sterling, Yen, DM, Local Index, Gross Div. Yield. Includes sub-sections for NATIONAL AND REGIONAL MARKETS and THE EUROPEAN SERIES.

Copyright: FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's, 1996. All rights reserved. "FT/S&P Actuaries" is a joint trademark of The Financial Times Limited and Standard & Poor's. CONTRIBUTOR: CHANGING 4/7/96 Name change Argus Group to S&P Group. Latest prices were unavailable for the table.

East Europe gives strong welcome to Yeltsin's re-election

Eastern Europe's emerging equity markets marched smartly higher in response to Mr Boris Yeltsin's clear victory in Wednesday's run-off presidential election.

MOSCOW made an enthusiastic start, with brokers initially quoting shares between 10 and 20 per cent higher on expectations that Mr Yeltsin's win would prompt heavy Western buying during the session.

Activity dwindled when the foreign demand failed to materialise but the Moscow Times index still finished 21.03 or 8.4 per cent stronger at a record 351.01 and the Russian Trading System index of 21 leading shares ended 8.8 per cent ahead at an all-time high of 227.78.

Mr James Cornish, European strategist at NatWest Markets, who is hopeful on the outlook for the Russian equities, attributed the lack of foreign demand to the absence of many international investors for the US Independence Day holiday, adding that "the canner ones were in there already".

He said that over the last two months many investors had discounted a Yeltsin victory and had already been buyers. For other would-be investors, the key question was what Mr Yeltsin would do now.

Mr Cornish believed that many foreign investors would hope to see some of the serious reformers in top jobs in the new government, which faced a series of tough decisions, one of the first of which was how to tackle the budget deficit.

WARSAW kept 4 per cent to a 27-month high on expectations that Mr Yeltsin's victory would help to draw foreign capital to central European markets, as well as to Russia. The Wig index rose 544.1 to 14,243 as investors overlooked reports that the central bank chairman had ruled out a reduction in interest rates in the near future.

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AMERICA

Toronto edges higher

Toronto edged ahead after a mixed opening, aided by stronger golds, but in quiet trade in the absence of Wall Street, closed for the Independence Day holiday. The TSE 300 composite index rose 4.29 by noon to 5,078.20 in volume of 23m shares.

Analysts noted that Canadian treasury bills strengthened after Wednesday's decision by the US Federal Reserve to keep short-term interest rates steady. Banks were beneficiaries, with Bank of Nova Scotia and Bank of Montreal each rising 5 cents to C\$33.30 and C\$34.10 respectively.

Among gold stocks, Arsenipa Resources rose C\$2.45 to C\$19.75. Gibraltar Mines lost C\$1.05 to C\$6 after the company said that the recent collapse in copper prices would delay development of a copper

project in northern Chile. Latin America Mexico City was weak in quiet mid-session trade. The IPC index fell 5.03 to 3,176.77, with much of the morning's action seen in Camesa A shares, which picked up 3.4 per cent to 3.62 pesos in heavy trading.

SOUTH AFRICA Johannesburg's gold shares followed the bullion price down, while industrials suffered a dull day, finishing mixed but having broken free in afternoon dealings from a tight trading band to close slightly firmer.

The overall index edged 1.8 higher to 6,918.5, industrials gained 8.1 to 8,189.9 and golds declined 1.6 to 1,802.8.

Advertisement for Lyon-Satolas Airport. Features a globe and text: "How would the G7 get to Lyon without Lyon-Satolas airport? without Lyon-Satolas airport? without Lyon-Satolas airport? LYON-SATOLAS: YOUR GATEWAY TO THE WORLD".

Vertical advertisement on the right edge of the page, partially cut off, containing text like "Global Ins...", "MARKETING INTERNATION...", "SHEP...", "PORTF...", "LYON-SATOLAS AIRPORT".

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rope gives
welcome to
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Latin America

SOUTH AFRICA

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LYONS AIRPORT

Global Institutional Fund Management Associates

Marketing and Account Management

Our client is a leading investment management division of a major US Investment Bank. They have significantly increased assets under management in competitive markets and continue to enjoy a rapidly expanding global client base. Due to this increase in business, they now seek to recruit highly talented and motivated account management associates.

The successful candidates, reporting to a Marketing Director, will provide analytical and quantitative market and client research and support all marketing activities. Organization and preparation of materials is an essential part of the role as is undertaking detailed technical analysis. Ensuring accuracy and relevance of global marketing information is mandatory. The individuals will be involved in ad-hoc research projects and the level of client exposure and account responsibility will increase in line with success and ability.

Candidates will be self-motivated graduates with a degree from a top university. Ideally, with 1-2 years experience of working within a leading financial institution, preferably asset management, corporate finance or investment banking. A sound knowledge of financial markets and investment products is vital.

Individuals must demonstrate an independence of thought but have the ability to work in a team environment. Due to the global nature of this role knowledge of other European languages is preferable.

This London based role will suit dynamic young professionals with the tenacity and enthusiasm to succeed in a competitive investment management environment.

If you believe you possess these qualities, please call Elizabeth Arthur on 0171 269 2314 for an informal discussion. Alternatively, write to her enclosing a curriculum vitae at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Reference 28951S.

MP
Michael Page City
Specialist Recruitment Consultants
London Paris Frankfurt Hong Kong Sydney

LEAD ATTORNEY ENVIRONMENTAL LITIGATION

A prominent international reinsurance carrier with substantial operations in North America seeks an individual who is familiar with both United States and United Kingdom reinsurance laws to manage and direct a recovery unit.

The individual should be familiar with all aspects of environmental, asbestos, and other long tail casualty coverages, as well as having established relationships within the London insurance market place.

The position is located in New York City and reports directly to the General Counsel of North American operations. This individual will also have a close working relationship with the corporate co-ordinator for environmental matters, who is located in Europe.

Compensation is fully competitive with relocation costs assumed by the client.

Please write in strict confidence to Christopher Beale in London or Richard Moysie in New York, at the following addresses:

Christopher Beale Associates Limited,
14 Queens Anne's Gate, St James's Park,
London SW1H 9AA.Thornlike Dehand Associates,
275 Madison Avenue, Suite 1300,
New York, NY 10016.

MANAGEMENT AND EXECUTIVE SEARCH CONSULTANTS
Members of Greenwich International
London Geneva Paris Madrid New York Milan Brussels

DO YOU HAVE A VIEW ON TURKISH EMERGING MARKETS?

Then here's an outstanding prospect

City

Our client is one of the world's most successful and highly regarded international banks. Their commitment to developing their sales and trading capability in the emerging markets of Turkey is reflected in the creation of a new team. To play a pivotal role within this team, you must have expert knowledge of Turkey and a minimum of 2-3 years regionally based experience of Sales or Trading with the Turkish Financial Markets. Ideally, a Graduate, fluent in both Turkish and English, you will also have a broad insight into the Turkish economic situation, an entrepreneurial instinct and a 'trader's attitude'.

To apply, send full career details, quoting ref:460, to Alastair Lyon, Confidential Reply Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Applications will only be sent to this client but please indicate any company to which your details should not be forwarded.

ASSOCIATES IN ADVERTISING

HEAD OF INTERNATIONAL PAYMENT PROCESS RE-DESIGN

Exceptional opportunity for an international payments professional to re-design and implement a state of the art payments operation to cope with the rapid change and growth in international payments.

As one of the UK's leading banking groups with a strong global presence, our client is seeking to make a key appointment in the business critical area of international payments. As an industry professional, the successful candidate will take the pivotal role of designing, implementing and managing a major change project within a wider re-engineering programme currently underway.

Working within the bank's international trade and payments area, the role demands not only strong technical qualities, but also exceptional leadership skills and the ability to manage complex re-engineering projects. Previous experience of leading and managing operational project management teams is a prerequisite, as is the ability to deliver solutions within agreed time scales. An analytical, enquiring mind is essential, as is the ability to understand complex problems, engineer solutions and understand their impact within a broader operational framework. Coupled with this, a strong fundamental understanding of potential future developments within the markets is preferable. The successful candidate will be educated to degree level with extensive operational experience within a bank's international payments area and have experienced major change management or have a consulting background in operational project management.

This position is a key appointment for our client, hence only career minded individuals of the highest calibre with a desire to achieve professionally are invited to apply. For an initial discussion about this opportunity please contact Matthew Rowlands at Alexanders, Mann & Partners, Alexander House, 9-11 Fulwood Place, London, WC1V 6HC. Telephone: 0171 242 9000 (Evenings: 0973 391426) Facsimile: 0171 405 6434. All applications will be treated in the strictest of confidence.

ALEXANDERS, MANN & PARTNERS
EXECUTIVE SEARCH PARTNERSHIP

MARKETING ADMINISTRATOR INTERNATIONAL INVESTMENT MANAGEMENT

If you are committed to pursuing a successful career in international investment management, then this major asset management organisation offers a challenging opportunity. Working in an exciting multicultural environment as part of a global marketing team, you will help achieve the highest professional standards across all written marketing communications. Your principal area of responsibility will centre on the original creation and coordination of quality marketing documents including sales presentations, proposals and consultant questionnaires.

This demanding position, requiring excellent verbal and written communication skills and a meticulous attention to detail, calls for a committed team player who is capable of working on his/her own initiative. Educated to degree level, candidates should ideally have at least two years' experience in financial services, which would preferably include some experience of institutional investment management.

The remuneration package on offer reflects the importance of this role to our client's organisation.

Candidates should apply in writing, enclosing a full CV, to Elizabeth Williamson

Fax 0171-626 9400Cleary Court, 21-23 St. Swinthin's Lane London EC4N 8ADTelephone 0171-626 1161

SHEPHERD LITTLE

TRADE SUPPORT - OTC Derivatives

Competitive Banking Package - City

Our client, a leading global investment bank, is currently seeking a high calibre banking operations professional to support its OTC Derivatives Trading Team. Liaising with brokers and counter-parties, you will match incoming confirmations against known details and negotiate a favourable resolution to any discrepancies.

To qualify, you must have a degree and a minimum of two years' experience of handling OTC derivative confirmations for both interest rate and equity trades. Familiar with a broad range of products, including Bond Options and Equity Derivatives, you will need an in-depth knowledge of ISDA confirmations, ISDA master agreements and resolve complex credit and legal issues is also essential, calling for excellent teamworking skills and a flair for persuasive negotiation. Finally, you must be organised and PC literate, while fluency in at least two of the following languages would be desirable: French, Spanish, Italian and German.

An attractive salary and benefits package awaits the successful candidate.

To apply, please write with your CV, including current remuneration, quoting reference 452, to: Alastair Lyon, Confidential Reply Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Applications will only be sent to this client but please indicate any company to which your details should not be forwarded.

ASSOCIATES IN ADVERTISING

Euro London Appointments

Hare Place, 47 Fleet Street
London EC4Y 1BJ

SWAPS/DERIVATIVES - MIDDLE OFFICE c£30K + BKG Bens
Prestigious International Bank has excellent opportunities for Graduate calibre candidates with proven SWAPS/Derivatives experience to join this exciting Middle Office area. You will have a minimum of 3 years' experience and capable of working with leading edge computer systems.

SENIOR EQUITY DOCUMENTATION OFFICER c£30K + EXC BKG PKG
Leading Japanese Securities House currently has a position within its Corporate Finance Department. You must have excellent product knowledge (particularly Eurobonds) to secure this challenging yet rewarding career move.

CURRENCY OPTIONS TRADE SUPPORT c£30K + BKG Bens
Exciting opportunity exists within the Middle Office of this major international bank. Ideally you will be in a similar role and possess a business related degree.

CREDIT ANALYST - FLUENT GERMAN c£30K + BKG Bens
Successful European Bank seeks individual with minimum 2 years banking experience covering analysis of both Financial Institutions and Corporates. Acting as principal liaison between the German branches and the London Office you will be responsible for assessing the credit worthiness of all prospective and existing clients. Ideally you will have experience in a European, preferably German working environment. A truly varied and responsible role!

Tel: 0171 583 0180 Fax: 0171 583 7800

PORTFOLIO ANALYST

Investment Management Group managing over £6 billion for more than 50 clients requires an analyst to support the implementation, maintenance and evaluation of their portfolios. The company makes extensive use of computer-based research, management, and evaluation systems. Working in a small team you will be involved in the construction, execution and processing of trades, review of the portfolios relative to desired targets, analysis of trading costs and investment performance analysis.

You should be numerate with a good university degree and have some computing experience. Ideally you will have previously worked for an investment management organisation but any analytical background such as actuarial or accountancy would be acceptable. Compensation and benefits, including pension plan, health insurance, and profit sharing will be competitive for the right candidate.

Please reply in writing and confidence to:

Ian Lloyd, Managing Director
Cursitor Management Limited
66 Buckingham Gate, London SW1E 6AU
Member of IMRO

DEALER/CHIEF DEALER

FX Spot Major Currencies Intl Bank top 100

For a post in choice in one of the bank's branches in Europe. Applicants must have a min of 3 yrs experience. Attractive salary package, bonus and profit sharing scheme. Send detailed C.V. and references.

Applications treated with strictest confidence.

Ref: Options International Employment - NASII/MMA
P.O. Box 970, Zurich 8039, Switzerland

GRADUATE TRAINEE COMMODITIES

£ Excellent + Bonus

We are the metals group of a large oil and metals trading company. We trade concentrates and non-ferrous metals world-wide. We also have large interests in smelting in the CIS. We seek an ambitious recent graduate to take an initial training assignment leading to advancement in the trading, or traffic or project teams.

You possess at least a 2:1 in a numerate degree (engineering, mining, financial, economics), have good communicative skills, and the drive and commercial acumen to succeed in a challenging but highly rewarding environment. An ability to speak Russian or experience in metals or mining of 1 to 2 years is helpful but not essential.

If you are interested, write to us, including your curriculum vitae, at
Box A5903, Financial Times,
One Southwark Bridge, London SE1 9HL

FT**Les Echos**
Le Quotidien de l'Economie

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Toby Finden-Crofts on +44 171 873 3456

ACCOUNTANCY APPOINTMENTS

HEAD OF BUSINESS OPERATIONS

Credit Insurance

CITY

£645,000 + BONUS + CAR

Our client is the UK subsidiary of one of the leading European credit insurers. It is a small, but well established, operation in the City which has already established an impressive list of major international clients and is committed to continuing to build a quality portfolio.

We are seeking a Head of Business Operations, to provide comprehensive commercial and administrative systems and processes to facilitate the growth and development of the business. This would include the design and implementation of financial and management information systems; the provision of a basic company secretariat; a leading role in the development of an appropriate IT strategy; and as a key member of the management team to support and contribute to the customer service culture within the company.

You are likely to be professionally qualified, probably in accountancy, and ideally have gained knowledge and experience of the insurance sector or, at minimum, the broader financial services industry.

You will have the maturity and presence to be credible with clients and the company's senior management as well as the constructive and apolitical attitude to contribute positively in an, as yet, small organisation. A balance of strategic vision and pragmatism is essential. A knowledge of German would be an asset.

If you wish to be considered for this exciting opportunity, please write, in confidence, with full career and salary details to Peter Sandham, MSL International Limited, 32 Aybrook Street, London W1M 3JL. Please quote ref. 59997.

LONDON 011 40 200 BIRMINGHAM 0121 45 8844 BOSTON 011 82 6617 GLASGOW 041 26780 LEEDS 011 34 4757 MANCHESTER 0161 271 272 NOTTINGHAM 0115 941 880



Southampton



Circa £40,000 + Bonus

Finance Director Designate

- putting information to work

The Company

OMI Logistics Limited is building on more than 40 years experience which has made us one of Europe's largest and most progressive suppliers of technical documentation and allied support products.

We are - putting information to work for major clients in the International Defence, Aerospace, Utilities, Transportation and general engineering sectors.

The Role

- putting information to work for the Management Team
- Responsible for the financial management of a £12M multi site business of 330+ employees
- Managing a small head office team with a decentralised accounting function
- Improving the financial controls and reporting of the business
- Improving project management techniques
- Involved in large project tendering and management

The Person

- A proven track record of achievement in a medium sized commercial/industrial business
- ACA, ACCA or ACMA
- Unlikely to be under 30 years old
- IT literate
- Stature and ability to communicate at a senior level
- Experience in cost analysis and control
- Reporting to the Managing Director you will be a key contributor in realising our potential for growth and expansion

Please apply in writing with CV and explaining how you meet the criteria to:

G S Mullis, Managing Director, OMI Logistics Limited, 2-10 Cawte Road, SOUTHAMPTON SO15 3TD
A company within OMI International PLC

HEAD OF AUDIT SERVICES

A BUSINESS PARTNERSHIP THAT ADDS VALUE

WOLVERHAMPTON

TO £65,000 + BONUS + BENEFITS

Birmingham Midshires is one of the UK's top performing building societies, with an enviable track record of growth well above the industry average. An active acquisition programme in 1995 saw the society establish itself as one of the 10 largest in the UK, where it now intends to consolidate its position, remaining firmly committed to mutual status as the best way to service the needs of its members.

With assets under management exceeding £7.7bn the society provides a range of personal financial services including mortgages, investment products and insurance. Quality of customer service is at the cornerstone of all that it does and it has established itself as a market leader in this field, with a number of industry awards to its credit.

Reporting to the Finance Director, this is a high profile role working across the business to help improve business performance, increase efficiency and assist in the effective management of the society's risk.

Your brief is to continue to develop the risk based, operational focus of the team's work, establishing the function as a proactive and service orientated aid to the business.

A qualified accountant, you will currently be working at a senior level within the profession or will have already made the move to a progressive audit function within commerce or industry. This role offers the opportunity to head up a function and establish it as a value added business partner, then go on to develop your career with a recognised leader in its sector.

Must have been exposed to highly computerised business environments and have well developed management skills coupled with a strong customer focus. Strong technical skills should be balanced by good presence and authority, and the ability to identify with the needs of the business. Should also be creative and receptive to new ideas as this is a function that aims to be at the forefront of business change.

Please apply in writing quoting reference 1186 with full career and salary details to:
Susan Ryder
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.ghoct.co.uk/whitehead



FINANCE DIRECTOR

HIGH TECHNOLOGY MANUFACTURING

HERTFORDSHIRE

c. £60,000 + BONUS + BENEFITS

Market leading, UK based international high technology manufacturing business, part of a quoted group. The division is poised to double in size to £50m turnover, following the acquisition of a complementary US based operation and continued strong organic growth.

As a result it now needs a highly commercial Finance Director who, as part of a decentralised structure, will play a leading role in integrating the businesses while significantly increasing the effectiveness of financial management.

The Finance Director will provide high level support to the Managing Director, playing a full part in the running of an international business. This is likely to include further important acquisitions and other strategic investments in the medium term.

Qualified accountant, probably aged mid-30's, with in-depth manufacturing sector experience gained in a large, international group. Must have good systems experience including costing and new product development.

Resilient, persuasive team player with sound management and business judgement, excellent communication skills and an analytical approach. Exposure to working overseas, in particular in the US, would be particularly advantageous.

The position calls for a high level of commitment to business success with international travel at an estimated level of 25%. Scope for career progression is excellent.

Please apply in writing quoting reference 1187 with full career and salary details to:
Nigel Bates
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.ghoct.co.uk/whitehead



FINANCE DIRECTOR

MANUFACTURING, SALES & SERVICE

WEST OF LONDON

c. £60,000 + BENEFITS

£70m turnover UK based, European manufacturing, sales and service business. Part of a profitable, quoted group and a leading name in its sector.

Acquisition is part of the company's strategy. It therefore needs a Finance Director who will actively support this ambitious development, while maintaining tight control of day-to-day financial management.

The Finance Director will be part of a small central function and will act as right hand person to the Managing Director, but with a strong line to the Group Finance Director.

Graduate, qualified accountant, aged late 30's, with in-depth experience of engineering and manufacturing, gained in a highly service orientated group. Familiarity with standard costing will be essential.

A 'hands-on', commercially orientated candidate, resilient and with personal presence which will justify respect. The position calls for an outward facing energetic, committed individual who will take the initiative to actively contribute to the operating units.

The global nature of the group offers excellent scope for career progression in the medium term.

Please apply in writing quoting reference 1184 with full career and salary details to:
Nigel Bates
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.ghoct.co.uk/whitehead



Chief Operating Officer

Salary to FF 700,000 plus benefits Paris

NatWest Seller Patrimoine and Gestion are the French associated companies of Garmonie Plc, part of the NatWest Group. We specialise in the management of collective mutual funds, servicing a range of private clients and institutions, together employing around 100 staff.

Following a recent substantial acquisition which effectively doubled business activity, the combined Company, is now entering a period of consolidation from which new financial reporting systems, procedures and controls will need to be designed and implemented.

Reporting to the Managing Director of NatWest Seller Patrimoine and Gestion, the Chief Operating Officer will take full responsibility for the financial function, operational compliance and business risk assessment, as well as supporting the Managing Director in the production of business plans.

You should be a qualified accountant with considerable experience gained in financial services preferably within the private client/fund management sector. It is essential that you are fluent in French and English and have some experience of both French and UK reporting requirements. Key competencies will be an ability to operate as a proactive member of the local management team where your strong influencing skills will enable you to implement change whilst being an effective interface with London.

If you are seeking an exciting opportunity to join a dynamic investment management company committed to becoming a major player in the French market, please send your curriculum vitae with current salary details and an explanation of how you meet these requirements to Carrie Andrews, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference 0024.



UK TREASURER

NEW POSITION IN DEMERGED INTERNATIONAL GROUP

CHERTSEY, SURREY

TO £60,000 + BONUS + BENEFITS

THORN EM, the major international consumer products and services group, is proposing to demerge, creating two separate entities, each of which will be a quoted company.

The position is UK Treasurer for one of these, Thorn Group, a \$1.5bn turnover business with 2,300 shops in 17 countries offering rent or rent-to-buy propositions across a wide range of consumer products.

Reporting to the Group Treasurer, he/she will run the complete UK treasury operations, including a team of two, while liaising with UK and worldwide financial institutions and carrying out high profile project work.

MCI with an accounting background, preferably qualified, who has gained experience of sophisticated treasury practice in a substantial, international group. Age indicator is 30-40.

Commercially-minded individual, capable of working without direct supervision, who has a highly analytical approach, proven treasury management skills and the ability to work in a rapidly developing environment.

The position provides a rare opportunity for an ambitious treasury professional to play a key role in building a centre of excellence as well as influencing treasury policy.

Please apply in writing quoting reference 1179 with full career and salary details to:
Nigel Bates
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.ghoct.co.uk/whitehead



FINANCIAL CONTROLLER - EUROPE

£155,000 package

Maidenhead

This is an exciting opportunity to join a major multinational corporation, a global leader in the manufacture and marketing of self-adhesive and office products. Avery Dennison currently has a turnover in excess of \$3 billion, over 16,000 employees, and is characterised by an innovative, service driven and open culture. In Europe they have 30 well established operating businesses with a combined turnover of \$1 billion.

In response to changing business needs, there is now a requirement to hire a European Financial Controller to join its small European staff group.

The Position

- Reports to the Vice-President and Controller based in California, with responsibility for consolidated European financial reporting and analysis.
- Is responsible for integrity of information across the different business sectors in Europe.
- Manages and adapts reporting systems to ensure that these are a genuine tool to aid management decision-making.
- Develops effective working relationships with business heads and senior finance staff across Europe and at the Corporate HQ.

The Requirements

- Qualified ACA preferably with a big 6 accounting background and at least 5 years' commercial experience.
- European experience gained preferably within a US multinational and familiarity with US GAAP.
- In depth knowledge of complex financial and management reporting systems.
- High levels of initiative and autonomy combined with strong interpersonal and communication skills.

Please send your CV with current salary details to:
Ken Brooker, K/F Associates, 252 Regent Street,
London W1R 6HL, quoting ref: 5207/F. Alternatively send by fax on 0171-312 0020 or e-mail to cv@kfaeurope.com

Internet Home Page: <http://www.kfaeurope.com/kfaeurope/>

K/F ASSOCIATES

CONTEMPORARY CAREERS/HR INTERNATIONAL

Handwritten signature or stamp at the bottom of the page.

دعا لى

The Company

Our client, a UK multinational, with distribution and retail outlets throughout North America, the UK and large areas of continental Europe, is one of the largest and fastest growing companies in its sector. Significant European acquisitions have been made over the last two years with more planned. Recent enhancement of UK head office operations and the rapid expansion in Europe has created the need for two additional senior financial staff.

For further information, please write with your CV to Gary Johnson (Audit) or Jane Braithwaite (Tax) at Douglas Llambras Associates, 10 Bedford Street, London WC2E 9HE. Tel: 0171 420 8000, Fax: 0171 379 4820, e-mail: info@llambrias.co.uk

European Audit Manager

Central London to £60,000 + Car + Benefits

The Role

The individual will establish internal audit in Europe and will be responsible for building a team of highly proficient professionals. The diversity of operations and locations will necessitate a project orientated, value for money approach to review and advise on effective and co-ordinated reporting controls across Europe.

The Candidate

The ideal candidate will hold an ACA or CPA qualification with a minimum of four/five years post qualification experience in a corporate environment or accounting practice. Exposure to international business, proven communication skills and an ability to work with tact and diplomacy whilst managing change in a fast moving environment are all important. Travel in the initial stages will be significant with fluency in other European languages being a distinct advantage but not a prerequisite.

International Tax Adviser

Central London to £60,000 + Car + Benefits

The Role

Responsibilities will include:

- Group cross-border tax planning and forecasting.
- Identifying opportunities for tax savings throughout the group.
- Establishing clear, consistent and sustainable tax strategies for all facets of the business.
- Advising on tax effective structuring of acquisitions and other transactions, including reorganisations.

The Candidate

The successful candidate should be a Chartered Accountant with a minimum of five years general tax experience (including at least two years in International tax) gained in either the profession or industry. Candidates should demonstrate good interpersonal skills with the ability to communicate at Board level, both within Europe and the US. This represents an excellent opportunity for a senior tax professional seeking a challenging and stimulating role in a dynamic, fast growing environment.



DOUGLAS LLAMBRAS ASSOCIATES RECRUITMENT CONSULTANTS



c. £90,000 package + benefits

Major Plc Principal Division

Midlands

Finance Director

Exceptionally interesting and broad FD role focused on strategy, change management and performance improvement in a highly successful group, joining a dynamic, newly appointed senior management team. Requires an ambitious FD who will bring fresh ideas, enhanced financial disciplines and commercial rigour to a group of c. £500 million turnover core business units operating in a fast-changing environment. High profile with main board career potential in line or finance role.

THE ROLE

- Instil a profit-focused and performance-driven culture through the provision of first-class MIS, reporting and control systems to enhance decision making.
- Work closely with Main Board Director responsible for the Division and business unit managers in developing and implementing a market-led strategy. Upgrade Capex appraisal and monitoring processes for a c. £100 million p.a. spend.
- Develop, motivate and involve the young, high calibre finance team directly in the growth and commercial success of the business.

THE QUALIFICATIONS

- Bright, graduate calibre accountant, aged 35+, with strong management accounting, financial control and project management skills developed in a sizeable manufacturing, engineering or contracting business.
- Robust and determined influencer and negotiator but nevertheless diplomatic and capable of building rapport and credibility at all levels in the organisation.
- Highly commercial and IT literate. A leader and team player with main board potential.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to:
Selector Europe, 14 Courthouse Place,
London W2 2DZ

c. £90,000 package + benefits

Major Plc Principal Division

Midlands

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Exceptionally interesting and broad FD role focused on strategy, change management and performance improvement in a highly successful group, joining a dynamic, newly appointed senior management team. Requires an ambitious FD who will bring fresh ideas, enhanced financial disciplines and commercial rigour to a group of c. £500 million turnover core business units operating in a fast-changing environment. High profile with main board career potential in line or finance role.

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- Highly commercial and IT literate. A leader and team player with main board potential.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to:
Selector Europe, 14 Courthouse Place,
London W2 2DZ

DAIWA SENIOR MANAGER

IFSC, DUBLIN
Daiwa Europe Bank plc, is the principal banking subsidiary of Daiwa Securities Co. Ltd., Tokyo. Its Dublin operation provides fund administration, trustee, global custody and related services to Irish and Offshore domiciled funds.

MERC Partners has been retained to assist in the recruitment of a Senior Manager.

Reporting to the Head of Operations, the person appointed will be responsible for the overall management of the trustee and compliance functions, for the integrity of financial and regulatory reports, and for the continuing development of the MIS and administration systems. The appointee will be expected to make a key contribution to the management of the Irish operation.

Candidates will be qualified chartered accountants with at least five years experience gained in a regulated financial services environment, ideally in the mutual funds industry. They will have good interpersonal and communications skills and will be able to function effectively in a closely knit collegial management team. Systems and computer literacy will be a prerequisite.

An attractive remuneration package will apply to this important appointment. Please write - in strict confidence - enclosing a curriculum vitae and quoting reference number 96498 to:

Brian G. Ward,
MERC Partners,
Number Twelve,
Belview Office Park,
Clonsilla,
Dublin 14.
Fax: 06-553-1-283 0550
email: postmaster@merc.ie



Selection & Human Resource Consultants
Member of the Executive Selection Consultants Association



Exceptional Opportunity for a Commercial Finance Professional

FINANCE DIRECTOR - TELEVISION

£55,000 to £60,000 + Car + Bonus + PRP

C. LONDON

Reuters Television is the world's largest provider of television news to broadcasters, supplying an integrated service which includes raw footage, ready-to-air programmes, text, graphics, still photography and archives in all media.

Reuters Television is an important part of Reuters Holdings PLC, the world's leading provider of business information and multi-media services with a worldwide turnover of £2.7bn.

For the development of the business, Reuters Television is looking to recruit an ambitious finance professional to take full bottom line responsibility in the UK, in this number one finance role. You will be a key member of the management team making a major contribution to the profit and growth of the business.

Reporting to the Managing Director - Reuters Television, with functional responsibility to the Reuters UK Finance Director, you will have responsibility for all financial management, accounting and reporting and for all commercial processes and procedures as well as providing input into the financial and commercial decisions of the business.

This is a rapidly changing environment requiring a qualified accountant with proven line experience and exposure to large commercial deals, contract negotiations and dealings with external parties. Previous Media Industry experience would be an advantage but is not essential.

You will be highly numerate, organised and flexible with a pragmatic hands on approach and have the ability to absorb pressure and see the big picture as well as shorter term goals.

This is an outstanding opportunity for an ambitious finance professional who is looking for the challenges of a growing, fast moving business with the opportunity to move into general management in the medium term.

To be considered for this position please call Dawn White on 0171 209 1000 (quoting reference FT0043A) or send/fax your CV and full details of your current salary package to her at FSS Financial, Charlotte House, 14 Windmill Street, London W1P 2DY. Fax: 0171 209 0001.



Group Financial Controller

Leading European Financial Institution

to £70,000 + Bonus + Benefits

City

Our client is a leading integrated investment house, and is part of one of Europe's largest banking groups. It offers a full range of investment banking services and products, including banking, corporate finance, securities and fund management. In response to increasing business demands, its UK Group Finance function now requires a high calibre professional to be Group Financial Controller. Responsibilities will include:

- Managing the production of all consolidated financial information, including management accounts and statutory accounts.
- Management of regulatory reporting to UK and European authorities.
- Provide proactive support and expert advice on financial control accounting issues and internal policies.
- Managing and developing a sizeable team of professionals and making a management contribution across the whole finance function.

Candidates will be graduate ACA's with a minimum of 8 years' PQE preferably gained within a financial services group. They will display outstanding technical skills and possess strong financial control and regulatory reporting experience. Delivery focus, relationship building and communication skills will be of the highest order and be commensurate with a position of this seniority.

This represents an outstanding opportunity to join one of Europe's most dynamic and professional financial institutions.

If you believe you have the experience and dedicated approach, then please write to our advising consultant, Jonathan Kidd, enclosing an up-to-date curriculum vitae including daytime telephone number and salary details, at Harvey Nash Plc, 13 Bruton Street, London W1X 7AH. (Tel: 0171 333 0033, Fax: 0171 333 0032). Please quote reference number HNFI45. You may also apply via http://hna.com/Harvey_Nash

HARVEY NASH PLC

Exceptional career opportunity for experienced Chartered Accountant

MANAGER - CORPORATE REPORTING

Major International Transportation Group

£50-£60,000 + Car + Bonus

CENTRAL LONDON

Our client is a quoted International Transportation Group with a turnover of \$1.3 billion, operating through a worldwide network of offices and facilities. The Group has made substantial progress towards its goal of achieving market leadership in a range of niche industries requiring unique levels of technology and customer service, and which complement its successful and established core business. A strategy of targeted acquisitions coupled with profitable growth will be vigorously pursued over the next few years.

The appointment of Manager - Corporate Reporting has resulted from a promotion to a subsidiary Controllership, and will be a highly visible role in the Group's Corporate Finance.

Based in prestigious Central London offices and reporting to the Chief Financial Officer, you will manage a team of Chartered Accountants and have responsibility for overseeing all aspects of the Group's internal and external reporting process. This will include reviewing all monthly and quarterly internal reports, external reporting to shareholders and regulatory reporting. You will also be involved in the development and implementation of new systems, and will provide technical advice and guidance to the Accountants and Controllers of the Group's worldwide operating subsidiaries on all accounting policy and related issues.

Additionally, you will work closely with the Chief Financial Officer in a wide range of ad-hoc projects, including reviewing the financial implications of business issues such as mergers, acquisitions, joint ventures, public offerings and financings. For this appointment we are seeking a high calibre graduate Chartered Accountant (or CFA) aged 33-40, with excellent technical experience gained either in practice or in industry, including exposure to complex international multi-currency consolidations and US GAAP. You will have proven management, organisational and communication skills and a good knowledge of personal computers and related software.

If you wish to be considered for this exceptional appointment offering progression within the Group, please call our advising Consultant, Susanna Sweeney on (44) 0171 209 1000 or preferably send/fax your CV (quoting reference FT0056) to FSS Financial, Charlotte House, 14 Windmill Street, London W1P 2DY (fax (44) 0171 209 0001).



Price Waterhouse
EXECUTIVE SEARCH & SELECTION

European Controller

Shaping Financial Operations Across Europe

c.£70,000 + bonus + benefits M4 Corridor

We can boast...

...twenty years of unrivalled continuous achievement demonstrated by corporate annual growth of 170% and turnover of \$970 million. We have captured over 70% of our world market with a superior reputation for precision, quality and technological sophistication at the tech end of the hi tech field. There is no doubt that we are moving fast; the corporation in Europe (with sales approaching \$100 million) has undergone fundamental change to meet the challenge of building on our success.

We need...

...someone with special qualities to direct and reshape our financial operations throughout Europe. The challenge demands leadership and you must be able to prove your ability to deliver profound organisational change to integrate our finance function with our restructured European business.

Responsibilities will include...

...internal and external financial reporting, cash management, planning, forecasting and taxation at the head of a team of six. Reporting directly to the European President and senior financial management in the US, you can expect to travel throughout the region as you drive the function forward.

You will be...

...a graduate CA of at least ten years standing with a significant proportion of that time controlling a pan-European operation. A background in a hi-tech environment rounded off with language skills would be perfect. Above all, you will relish the opportunity of employing your experience as a change agent on a European stage.

The offer

Our working environment is highly dynamic and we pursue a policy of constantly sharing ideas and encouraging individual expression and team performance.

As a member of the European senior management team, the range of benefits you enjoy will match the responsibility you carry. There is enormous scope for personal development in a quality-led, global culture which provides both challenge and excitement.

If you can match our offer...

...contact our advising consultant, David Hunter, quoting reference L/1659 at:
Executive Search & Selection,
Price Waterhouse, No. 1 London Bridge, London SE1 9QL.
Fax: 0171 403 5265
Email: David.Hunter@Europe.notes.pw.com

CRT

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Group Financial Controller

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North West

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- Lean and non-bureaucratic. Led by passionate corporate team which is small and cohesive.
- Market leader in core service products. Tight financial controls. Acquisitive.

THE POSITION

- Responsible for all group and management accounting, consolidations and tax. Report to Group Finance Director.

Please send full cv, stating salary, ref MN60701, to NBS, Courthill House, Water Lane, Wilmslow, Cheshire SK9 5AP

- Develop and maintain internal controls. Interpret and investigate management reports. Support acquisitions.
- Maintain group accounting standards. Close liaison with subsidiaries and external advisors.

QUALIFICATIONS

- Graduate ACA, ideally "Big Six" trained. Probably 5-10 years' PQE. Possibly first position out of profession.
- Outstanding technical skills. Keen eye for accuracy and detail. IT literate.
- Articulate, bright and self-motivated. Committed and energetic. Enquiring and influential.



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FINANCIAL DIRECTOR

West Midlands

c.£55k + Bonus up to 40% + Car + Bens

Our client is a growth orientated, profitable subsidiary of a major international plc. With a turnover of £45m, they are a high volume engineering component manufacturer in the process of adopting world class manufacturing techniques to service global markets. The organisation comprises manufacturing and sales operations in the UK, Europe and Far East.

Due to a recent reorganisation, they now seek to recruit a commercial goal orientated Financial Director. Reporting directly to the Managing Director, the successful candidate will have total responsibility for all financial affairs of this business including commercial business reviews, installing and maintaining good financial controls, and maintaining

strong working capital disciplines.

The Company has recently embarked on a significant investment in global enterprise systems and this project would be the responsibility of the new FD.

Applicants must be aged between 35 to 45, a qualified accountant possessing strong costing and systems implementation experience gained preferably in an international commercial engineering / manufacturing environment. They must be able to demonstrate commercial flair and be proactive in a management team.

Interested candidates should write to Nick Stephens at 126 Colmore Row, Birmingham B3 5AB, enclosing a full Curriculum Vitae. Fax: 0121 286 8380



GROUP

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European Accounting Centre Manager

Excellent Salary and Benefits

With a customer base which includes many of the Fortune 500, this medium sized, successful US based public company is a world leader in high performance computer products.

The company is consolidating its European financial organisation and creating a multi-country accounting department based in Slough. As a result, an opening now exists for a qualified Accountant with a degree plus international and supervisory experience. Hands-on computerised accounting systems experience and PC skills are a must, as is a good working knowledge of French (German would be a real plus).

Reporting to the US-based International Controller, the successful candidate will work with a small accounting staff to maintain all accounts functions for European subsidiaries. Responsibilities are of a wide range from data entry and account reconciliation, through credit and collections, to budgeting, analysis and compliance with European and US accounting requirements. Frequent travel in Europe is envisaged.

For more information and consideration please write with CV to Greg MacDonald, Moxon Dolphin Kerby International, 178-202 Great Portland Street, London W1N 6JJ. Please quote Ref 30576

MOXON-DOLPHIN-KERBY

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COMMODITIES ANALYST

A leading Australian stockbroker is actively seeking a Commodities Analyst to be based in its London office. As a member of our highly regarded International Resources Research team, you will assist with the analysis of base metal markets, and the markets for bulk commodities, including coal, alumina, and iron ore. An outstanding professional record in either a technical or business analyst capacity and the ability to communicate with industry and client groups at an advanced level is critical. A good degree in geology, mining, metallurgy, or economics is preferred, together with several years experience in the analysis of metal markets. In addition to your analytical ability you will need effective marketing and client-relationship skills, with a high degree of drive, initiative, and professional integrity.

Confidential applications for this position should be forwarded to Mr Graham Smith, J.B. Wero & Son Ltd, Aldermany House, 10-15 Queen Street, London EC4N 1TX. Tel: (0171) 203 4919. Fax: (0171) 606 2452

VENTURE CAPITAL

Mature Chartered Accountant - not less than £30,000 Required by leading London Private Equity Management group. Prime responsibility for the accounting and administration of a number of funds. Must be able to communicate effectively at highest level. Financial Services/Investment Administration experience essential. Disciplined and able to work under pressure/meet deadlines. Good sense of humour, ability and desire to work in a small team.

Box Number A5904, Financial Times, One Southwark Bridge, London, SE1 9HL

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Emirates Telecommunications Corporation - Etisalat



Emirates Telecommunications Corporation - Etisalat - the official telecoms administration of the United Arab Emirates, is both well established and a leading telecoms provider in the Gulf Area. Employing more than 5,000 staff and operating through 6 branches, the Corporation uses the latest technology to provide telecoms services to the UAE and other parts of the world.

Due to its planned and rapid expansion of business and activities, the Corporation seeks suitably qualified and experienced personnel for the following positions at its Head Office in the beautiful city of Abu Dhabi.

1. FINANCIAL CONTROLLER (Ref. FC/96)

To be responsible for finances and accounting functions which broadly cover management, costing and systems accounting, stores accounting, cash management, financial feasibility studies, short and long term corporate planning, standardization of systems and procedures, budgetary and cash controls and consolidation of accounts. Should be well conversant with funding, public offering, debt instruments and should also be familiar with stock markets.

2. ASSISTANT MANAGER ACCOUNTS (Ref. AMA/96)

To be responsible for complete accounting functions, broadly covering management and cost accounting, stores accounting and preparation of budgets and accounts. Should be well conversant with project feasibility studies, their funding, short and long term planning, standardization of procedures and reporting systems. Track record of project management will be an added advantage.

3. SENIOR DEVELOPMENT ACCOUNTANT (Ref. SDA/96)

To be responsible for designing and developing technically sound accounting systems and procedures. Should be well conversant with information technology, financial planning, management and stores accounting and project feasibility studies.

REQUIREMENTS:

Candidates for the above positions must be members of any Institute of Chartered Accountants in England or Scotland or Ireland with a minimum of 15 years experience of which 5 years at senior management level and should be familiar with all computer applications and systems. Experience in telecommunications and satellite industry will be preferable.

SALARY

Excellent tax-free salary commensurate with qualifications and experience will be offered

AND OTHER BENEFITS

Furnished family accommodation	Annual increment
Medical & Educational assistance	Yearly bonus
Family annual air passage	Terminal gratuity
2 year renewable contract	44 days annual leave

Interested candidates may send their applications together with a recent passport size photograph and copies of supporting documents within 10 days from the date of this advertisement mentioning job reference on the application to:

The Senior Recruitment Officer
P.O. Box 3838, Abu Dhabi, U.A.E.

Group Finance Director

Main Board - Glenmorangie plc

Excellent Package + Bonus

Edinburgh

Outstanding commercially-minded finance professional with first-class technical skills to make significant contribution to Group's growth and development.

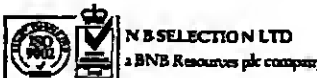
THE COMPANY

- Produces some of UK's most prestigious brands of single malt and blended whisky.
- Turnover £35m+, 60% export. Profit £6m+.
- Undergoing significant evolution and growth.
- Well established through worldwide distribution network. Main overseas markets in Europe and America; also in Africa, Middle East and Australasia.

THE POSITION

- Direct all group financial management. Responsible for accountancy, treasury, IT and company secretarial. 12 reports.
- Contribute to development of strategic plan for international growth. Board member. Report to MD.

Please send full cv, stating salary, ref EB607A1, to NBS, 42 Frederick Street, Edinburgh EH2 1EX



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Finance Professionals

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CSL Managed Services, the outsourcing arm of Deloitte & Touche, is seeking to expand its range of outsourced financial accounting services across Europe including establishing its first International Accounting Centre in the UK.

We require finance professionals to lead these initiatives. The successful candidates will be able to demonstrate a track record of initiating and implementing change at a senior level and the ability to lead and motivate large groups of people to deliver client focused services.

You will ideally possess the following:

- UK or European professional accountancy qualifications;
- Extensive accounting experience, preferably in two of the following countries: UK, France, Germany, Italy, or the Netherlands;
- Excellent communication skills in English and, preferably one of the following: French, Italian or German;
- User experience of SAP and ORACLE financials.

An attractive negotiable package is offered.

For further details, please call Fred Pennell on 01908 830900, or send your CV direct to CSL Placements, Ashton House, Silbury Boulevard, Central Milton Keynes, MK9 2HG. Alternatively, e-mail Placements@CSL.Touche.Co.UK

CSL

"Equal opportunities in action"



Handwritten signature or stamp

Handwritten note in a box: *Handwritten Arabic text*

Chief Financial Officer

Treasury and control expert

Western part of the Netherlands Excellent salary package (NLG 200.000++, Bens)

Our client is a major international commodity trading company operating through its own network of offices worldwide. The company is presently involved in an acquisition process which will eventually more than double its turnover. In order to support this expansion and to upgrade, manage and monitor information flows, treasury function and planning processes, the company now seeks to recruit a high calibre professional for the vacant position of Chief Financial Officer. Excellent technical and interpersonal skills and a high level of personal integrity are absolute requirements for the position.

Tasks and responsibilities:

- Delivering fundamental input to long-term strategy and operational plans.
- Upgrading and optimisation of the use of the company's financial resources.
- Co-ordinating the realisation of planning, budgeting, forecasts and management reports.
- Optimisation of tax planning and reporting.
- Development of integration mechanisms for acquired companies.
- Evaluation of investments and acquisition proposals.
- Liaising with tax authorities, banks, auditors and other consultants.

Profile of the suitable candidate:

- Broad business view with exceptional commercial acumen.
- Creative, strategic thinker with an entrepreneurial spirit.
- Strong analytical and problem solving skills.
- Absolute fluency in German and English.
- Extensive experience on a senior level in a multicurrency (preferably commodity trading) company.
- Capability to contribute efficiently and effectively in a non-hierarchical, informal, international team.

Interested candidates should send a comprehensive CV to Michael Page, 'Apollo House', Gerrit van der Veenstraat 9, 1077 DM Amsterdam, The Netherlands, quoting reference RO/44864, attn: drs Roderick B. van der Valk. For further information please call 00 31 205789444.



Michael Page International

International Recruitment Consultants
London Paris Amsterdam Düsseldorf Frankfurt Hong Kong Sydney

FINANCE MANAGER

c.£40K+Car+Benefits Central London

Our client is an expanding international consulting and publishing group of companies. They are looking to appoint a Finance Manager who will have responsibility for handling its financial and management accounting. Career prospects are excellent and the successful candidate can look forward to appointment to the Board.

The Role

Reporting to and working very closely with the Finance Director.

Supervision of a small accounting team.

Continuing development and implementation of vital management information systems and timely delivery of the data to the Directors and Managers of the businesses in the UK and overseas.

Active involvement with financial planning and budgetary control.

Production of statutory accounts and tax computations in close co-operation with the auditors.

The Requirements

A qualified accountant, probably aged 30-35.

A "hands-on" professional with good IT experience and knowledge and the ability to develop and implement system changes and improvements.

A high level of communication skills combined with the ability to manage and motivate staff.

The ability to become involved in various aspects of the business.

Please reply in writing enclosing a full cv including current salary to:

Howard Midgeon FCA
Reed Taylor Simlers
1 Tyburn Lane, Harrow
Middlesex HA1 3AG

FINANCIAL SYSTEMS MANAGER

Dynamic Growth Environment

Our client is a rapidly growing division within a major global player in telecommunications whose products and services enjoy a high profile reputation worldwide. This rapid growth division (turnover c.£250 million) is itself a profitable market leader. To support future growth and development this broad and demanding role has arisen.

Your objectives will be to:

- Project manage a major systems integration programme
- Evaluate and influence the cost effective and prompt resourcing of systems needs
- Ensure that Commercial Management are able to utilise information to maximise profitability
- Develop open communication and understanding between all users and providers

London or Kent

The above will require that you are a Qualified Accountant with the commercial and strategic vision to ensure that systems are developed and utilised to support a maximum level of profitable growth. An in-depth technical systems knowledge is not essential. Previous experience in a senior role within a team implementing such a system is however vital. Your leadership and influencing skills will be crucial in opening communication channels and achieving acceptance of your ideas and plans. Above all your flexibility in this environment of dramatic change and growth will be essential.

£45-50,000, bonus, car

Interested candidates should write with full CV, quoting current rewards package to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000. Fax: 0171 405 5995 quoting ref: HKW/4528/FT.

Hoggett Bowers

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- Exciting opportunity to join market leading retailer of branded capital goods/services. Help spearhead a major change programme and contribute to business development as a key member of the regional senior management team within one of the largest and most complex regions.
- Part of a major plc with turnover in excess of £1 billion, highly regarded for its commitment to customer service and quality, and offering considerable scope for future career development.
- Highly commercial role, focused on:
 - Challenging traditional business processes;
 - Analysing customer/product profitability;
 - Reshaping the business to deliver better returns;
 - Delivering accurate business plans and forecasts;

- Maintaining high financial control standards through a Regional Finance Team.

Candidates will be qualified accountants, with strong financial and analytical skills gained in an operational environment, and preferably within a multi-site retail/service business.

Good intellect and rounded business awareness are essential, together with the commercial acumen to ensure the profitable delivery of outstanding customer service.

Well developed interpersonal skills - able to persuade and influence across the business, as well as manage and motivate others. Unquestionably customer driven and a team player who can shape as well as monitor.

Please apply in writing quoting reference 1175 with full career and salary details to:
Susan Ryder
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 250 2043
http://www.gtact.co.uk/whitehead



A Whitehead Group PLC company

Group Financial Controller

Newly Created Position

London

c £40-45,000 + Car

To date the Environmental sector has been characterised by small, fragmented, specialist businesses. Our client, a recently formed company, is the first group in offer customers worldwide, fully integrated solutions combining technologies, products and services satisfying all their environmental needs.

Backed by an impressive senior management team and in a market which is forecast to exceed \$300 billion by the turn of the century, this company has tremendous potential. Largely through strategic acquisition as well as organic business development, turnover is expected to grow to £40 million by the end of 1997 when flotation is planned.

This position represents a rare opportunity for a young accountant of the highest calibre.

Reporting directly to the Group Finance Director, you will be responsible for the provision of high quality, technical and commercial support on all

group financial matters. This will involve setting up and managing the entire range of financial accounting, reporting, budgeting and analysis functions and acting as a liaison between Head Office and the UK and overseas subsidiaries. Additional responsibilities will include the analysis and review of acquisition targets and extensive preparation for the flotation of the business.

The successful candidate will be a graduate qualified accountant (aged 27-35) with a proven record of experience at a senior level within a commercial environment. A strong personal presence and outstanding interpersonal skills, combined with an energetic approach are essential.

Should you be interested in applying for the role please send a full curriculum vitae, salary details and daytime telephone number, quoting reference 297221, to Richard Letcher at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH or fax 0171 831 2612.

Michael Page Finance
Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Nottingham St Albans & Worldwide

c. £70,000 + bonus + benefits

vertex

North West

Finance Director

Vertex, a £200 million subsidiary of United Utilities plc, is an independent business employing 2,500 people, aiming to be the first choice supplier of technology-based managed services to both group and external customers throughout the UK. A top-flight Finance Director is sought to contribute at a strategic business level as well as provide the systems and accounting support demanded by a new and growing company. A superb career-building opportunity for a fast-track professional.

THE ROLE

Reporting to the Managing Director, responsible for a team of 25 and for all aspects of statutory and management accounting.

Working closely with the executive team to review business ventures, representing Vertex externally during contract discussions and partnership opportunities.

To complete the establishment of systems for the newly formed business, ensuring a framework of controls and range of management information to underpin ambitious plans for future growth.

THE QUALIFICATIONS

Probably in your 30s, graduate education, professionally qualified, thoroughly numerate and fully up-to-date with modern accounting techniques. Maturity to lead negotiations with conviction.

Already responsible for the financial management of a substantial autonomous business or division, accustomed to steering a secure path through periods of rapid growth and corporate development.

Enthusiastic, proactive team player. Must promote high standards and set stretching objectives. Ambitious, thriving but disciplined, seeking a stimulating environment in which to develop.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

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Spencer Stuart

Please reply with full details to:
Richard Letcher, Job 2119/96/0001,
Aldgate Court, Commercial Buildings Unit,
Spig Street, Manchester M2B 8LQ

CABOUCHON UK Finance Manager

Middlesex

Salary to £38,000

Cabouchon was established in October 1990 in the UK and specialises in the supply of beautiful hand-finished 18 carat gold and silver or rhodium plated jewellery which is distributed through a network of independent consultants.

Since 1990 Cabouchon has built up a significant presence in Europe, notably France, Germany, Switzerland and Sweden. During March 1996, in keeping with plans for global expansion, Cabouchon entered the Asia Pacific market.

Cabouchon's success and exceptional growth rate have been widely acknowledged by the international press - 1995 sales at retail value reached £140 million.

As a result an opportunity has now arisen for a UK Finance Manager to join Cabouchon in a "hands-on" role managing a team of 10 people and ensuring the smooth functioning of the finance department.

Reporting to the Group Financial Controller, interfacing with the UK Board and working within a complex and dynamic environment, key areas of responsibility will include:

- Day-to-day running of the Finance Department.
- Leading and motivating an expanding finance team.

- Planning and co-ordinating month end and year end reporting activities.
- Ensuring that tight reporting deadlines are met and that management information is relevant, timely and accurate.
- Implementing new financial accounting systems to meet the changing needs of the business.
- Contributing to budgeting and forecasting process.

The successful candidate will be a qualified accountant, ideally ACMA, with first class technical ability combined with excellent communication and influencing skills.

Essential qualities will include highly developed interpersonal skills, enthusiasm, energy, flexibility, a pragmatic approach to work and a proven track record of motivating and managing a team. This role offers an exciting and challenging opportunity to contribute within a rapidly expanding international business in a young and developing market.

Interested applicants should forward a CV and details of current remuneration package to Isobel King ACMA MBA, at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH. Tel 0171 269 2265.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
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Egham, Surrey

Assistant Director of Finance

c £43,000 + Car + Benefits

The Hanover Group is a national player in the Housing Association movement. It serves the housing and support needs of around 20,000 older people.

The group enjoys a turnover in excess of £40 million and manages over 14,000 rented, leasehold and freehold homes throughout England. Well placed for further expansion, a need has arisen to strengthen the finance function.

The role of the Assistant Director of Finance is broad and challenging. At a group level the successful candidate will be involved in strategic planning, information systems development, financial reporting and deputising for the Director of Finance. Treasury functions and full responsibility for the finance function of a subsidiary company are also key aspects of this role.

You are likely to be a qualified Chartered Accountant with commercial acumen who is used to delivering a service to non-finance functions. You will need at least five years' management experience and have an empathy with the housing sector. First hand experience of working in a housing association is not necessary.

This is a new position in a dynamic and constantly changing environment and will offer a highly rewarding challenge to the right candidate.

If you would like to be considered for this position, then please write, explaining why you are interested in the role, to Stephen Hockley MBA at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

The Hanover Group is an Equal Opportunities Employer.

Michael Page Finance
Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Nottingham St Albans & Worldwide

MANAGEMENT

Painted by some as the data processing equivalent of selling the family silver, few areas of information management create as much controversy as outsourcing.

An increasingly fashionable practice of devolving responsibility for a company's data processing activities to a third party, it has been hailed as a way of regaining managerial and financial control over the notoriously wayward information technology function. Critics maintain, however, that outsourcing contracts frequently favour the vendor and that savings are hard to identify. New research in the US and Europe suggests they may be right.

Commitment to outsourcing varies from company to company. Some contract out single IT services while others transfer not only their entire processing workload but also responsibility for their IT staff and equipment.

Once dominated by a few big players - EDS and CSC in the US, and Hoskyns Group (now part of Cap Gemini Sogeti of France) in the UK - the market has both fragmented and changed fundamentally with the advent of superdeals worth many millions of dollars and lasting up to a decade. EDS, for example, announced a \$3.2bn, 10-year deal with Xerox Corporation in 1993.

US firms which have outsourced IT operations in this way include Eastman Kodak, Continental Airlines and General Dynamics. In the UK, the list includes BP Exploration, British Aerospace and government departments including the Inland Revenue and the Department of Social Security.

While there are clear dangers in giving away a company's information assets, the case for outsourcing on the grand scale is undeniably attractive. It offers companies the opportunity to cap IT spending while allowing them to concentrate on their core activities.

It should result in more effective IT, in a development which it calls "co-sourcing". EDS, the world's biggest outsourcing group, has introduced the concept of a partnership between itself and its customer to their mutual benefit. It is "a collaborative relationship based on delivering business value that is clearly defined and measured in the customer's terms".

Evidence is beginning to accumulate that outsourcing can deliver what it promises. An international survey* by the PA Consulting Group in June found a strong correlation between high levels of outsourcing and enhanced stock market performance. "The top five strategic sourcers outperformed the FT-SE index on average over three years by more than 100 per cent," PA notes. "The bottom five underperformed the FT-SE by more than 66 per cent."



Buyers beware when handing over responsibility for IT to a third party, warns Alan Cane

Tapping into outsourcing

However, the PA team subsequently revealed that only five per cent of the companies they questioned were getting the full benefits from their outsourcing contracts while avoiding drawbacks.

The biggest problem with most outsourcing contracts, according to a new study** from Templeton College, Oxford, is unanticipated costs. In one example, a petrol company was charged almost \$500,000 in excess fees in the first month of a new contract.

One of the most exhaustive of its kind, the Templeton study was carried out by Mary Lacity, an assistant professor at the University of Missouri, and Leslie Willcocks, Fellow of Templeton. Both are veterans of the outsourcing debate and neither are likely to fall for outsourcing hyperbole. In a study published in 1993, Lacity warned that outsourcing was no panacea for information systems problems and that contracts carelessly written could attract unexpected costs.

The Templeton work takes this argument further. In about half of 61 deals analysed in 40 US and UK organisations, the expected cost savings either failed to materialise or were not obvious.

Lacity and Willcocks are particularly critical of deals based on strategic partnerships between vendor

and client, none of which produced the expected cost savings. "Strategic partnerships often result in poorly negotiated contracts which favour the vendors. Tailored contracts which fully specify costs and requirements are preferable," they say.

They are also critical of the fashion for long-term contracts: "Short-term contracts are preferable to long-term contracts for several reasons," they write. "First, technology and business conditions cannot be predicted for more than three years, thus making contracts increasingly outdated as time progresses."

"Second, short-term contracts motivate vendor performance because vendors realise customers may switch suppliers when the contract expires. Third, short-term contracts allow companies to recover and learn more quickly from mistakes."

David Thorpe, EDS managing director in the UK, counters that much depends on the nature and flexibility of the contract. There would be little point in forming a strategic partnership with a company looking only for commodity data processing. Co-sourcing comes into its own, he says, when the customer is looking for innovation.

Also, there has to be an element of payment by results to make the partnership work.

Long-term contracts demand flexibility to take account of changes in technology and the business situation. While 10 years might be considered too long a period, three- or five-year contracts may create instability and concern for job security among staff transferred.

PA, the Templeton academics and EDS all agree that the contract is the key to successful outsourcing. Because vendors write several a month, while it may be a singular experience for their clients, the vendors hold all the aces.

The lesson for management is that simply signing away a company's IT systems will not solve its data processing problems. The company must decide what it wants from the deal in minute detail and set rigorous contractual terms to ensure satisfaction. They must also put in place mechanisms to monitor performance throughout the life of the contract.

*PA Strategic Sourcing 1996; PA Consulting Group, 123 Buckingham Palace Road, London SW1 9SR, UK, £395.
**Best Practices in Information Technology Sourcing, Templeton College, Oxford University, UK, £58.

JOHN KAY

How to make a price war pay



You have missed your chance to make 12 trips between London and Oxford for £15. The price war on the M40 is over. But there are plenty of other bargains around. Call in at your local Esso or BP station, visit your local supermarket. There is a mortgage sale at the building society and if you live in the south-west there is 25 per cent off gas.

A successful price war was the one Philip Morris began on Marlboro Friday, April 2 1993. The company cut the price of the world's best-selling cigarette by almost 50 per cent - and in the process knocked almost \$10bn (£6.5bn) off the market value of the company. What the market did not understand was that Marlboro Friday was not so much the beginning of a price war as the beginning of the end of a price war. Marlboro's share of the US cigarette market, once around 30 per cent, had fallen to 22 per cent. Producers of premium cigarettes, such as Marlboro, had responded to falling volumes of cigarette consumption by pushing up prices to maintain profits. Manufacturers of generic cigarettes had held down prices to maintain volume. The widening gap between premium and generic products had been filled by low-cost brands. American Tobacco - which had once dominated the US industry but had since undergone steady decline - was leader in that intermediate segment.

A price war can only pay if its long-run result is to change market structure or market behaviour. Philip Morris succeeded in doing both. The price war largely destroyed the cheap brands, and American Tobacco quit the market altogether, selling the remains of its operations to BAT.

And the threat of continuing price competition forced the terms of an armistice between the generic manufacturers and the premium producers. By 1995 Marlboro had regained its lost market share and premium and generic prices were drifting up together. The PM share price more than recovered its lost ground.

A few months after Marlboro Friday, News International cut the price of The Sun and The Times and began a price war in the British newspaper market. Three years later, it does not seem that they have succeeded in making a permanent change either to market structure or market behaviour. The Independent is still there, and the only paper to quit has been News International's title, Today. The Daily Telegraph accepted that it could maintain only a limited price differential over The Times. Oxford remains the showpiece of

prices back to last summer's level. There seems no benefit which either company can show for their long bleak winter. No change in market structure; and pricing behaviour is as it was.

Why did Philip Morris succeed, and Oxford coach companies fail? The Marlboro cowboy war succeeded because there were clear, if necessarily tacit, objectives, and overwhelming commitment on the part of the initiator. Philip Morris's middle segment of the market and to impose price discipline on the generic products. One of the reasons it succeeded in both was the more or less infinite resources which one of the world's largest companies could bring to bear, and the certainty that senior management reputations and jobs were on the line could have left rivals in no doubt that the company was determined to achieve its objectives. The Oxford bus battle, by contrast, looks more like an instance of two firms drifting into a costly and unproductive mistake. The newspaper war fell somewhere in between: less clarity, less commitment and a strategy which, when it failed to kill any rival, seemed itself destined to fail. Where does this place Esso, who launched the petrol price war at the beginning of this year? Petrol seems more like tobacco than either buses or newspapers. Esso can hope to achieve both a change in market structure and a change in market behaviour. It can force out independent retailers and wholesalers who, like the generic brands in the US tobacco market, have no sustainable position in a market fought entirely on price. And it can establish a price accommodation with the supermarkets.

These can be allowed to discount by a penny or two but the majors have signalled that too much aggression on price or market share will be costly for everyone.

Identifiable objectives, depths of resources and strength of commitment are the keys to success in a price war. Philip Morris and Exxon have all of these. But don't launch one if you don't.

Identifiable objectives, depths of resources and strength of commitment are the keys to success in a price war

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Following the appointment of Mr Andrew Philip Peters of Deloitte & Touche as Provisional Liquidator of Excalibur Airways Limited and Excalibur Travel Limited the opportunity arises to acquire the business and assets of this UK Charter Airline based at East Midlands Airport, Derby, England.

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INTERNATIONAL BIDDING - C-304
SUPERVISION, CONTROL AND PROTECTION EQUIPMENT
DELIVERY DATE POSTPONEMENT

COMPANHIA PARANAENSE DE ENERGIA - COPEL, informs that the delivery of the qualification documents and price bid for the International Bidding C-304 - Supervision, Control and Protection Equipment, was postponed to July 11, 1996, at 2:00 p.m., Rua Voluntarios da Patria, 223 - ground floor.

The other provisions of the Instructions to Bidders remain unmodified.

COMPANHIA PARANAENSE DE ENERGIA

LEGAL NOTICES

INSOLVENCY RULES 1986
OLD CHELSEA DISTILLERS LIMITED

Nature of business: Bottlers & Distillers
Administration Order made: 20 June 1996
Official Receiver
Dated 24 June 1996

INSOLVENCY RULES 1986
NORTH LODGE GARAGES AND SERVICES LIMITED

(in Liquidation)
NOTICE: A RECEIVERSHIP order was made on 19th of the Insolvency Rules 1986 that Nigel Baskin and Fred Hager (jointly) were appointed joint liquidators of the above named company on 26 June 1996 by the Members.
Dated 19th June 1996
NIGEL BASKIN and FRED HAGER COOPER
Joint Liquidators



SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand. We know you can't give them back the things that others have taken away.

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome.

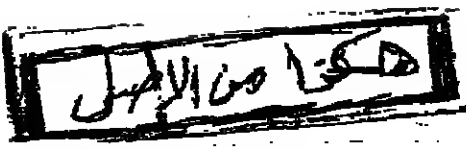
It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information
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United Nations High Commissioner for Refugees

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ARTS

Sponsorship/Antony Thorncroft

ABSA makes the arts grow stronger

The sun shone through the open roof of Shakespeare's Globe; narrator Stephen Fry was present and urging the winners and losers at the FT/ABSA awards for outstanding contributions to arts sponsorship in 1995-96 behaved rapturously and stoically. It was a fine evening on Wednesday.

Sir Trevor Holdsworth, chairman of the judges, hit the mark with his observation that "ABSA makes the arts grow stronger". Stephen Fry mellifluously introduced Colin Tweedy, ABSA's director general, as "never woolly, sometimes silky, always Tweedy"; and Sir Simon Horbury, chairman of ABSA, issued his customary warning against complacency.

Last year he drew attention to the danger of lottery demands on business siphoning away money needed to fund arts performances; this year he was concerned about the new breed of balance-sheet managers who have neither the time nor the inclination to appreciate how essential the arts are to a successful society.

Colin Tweedy announced that ABSA was seeking £20,000 a year for three years from 20 corporate friends of the arts to fund a campaign to educate the younger generation of managers in civic responsibility, and also bring the arts, and artists, into companies. In the past the emphasis has been on business giving money to the arts. In future there will be much stress on business giving its time and expertise.

When the Yorkshire Building Society took over the Hammond Sauce Works Brass Band in 1993 it was taking a gamble. The band had seen better days and was threatened with relegation from the brass bands first division. Paid bookings were down to 14 a year and Hammond Sauce had withdrawn its support.

In May the Yorkshire Building Society Brass Band became European Brass Band Champions, and this week Shona White, who plays tenor horn for the band, won the BBC's Young Musician of the Year Competition (sponsored by Lloyds Bank). Paid engagements are up to 45 a year and only a booking abroad prevented the band acting as the warm-up for pop stars Boy Jovi this week.

Sponsoring the band costs the Yorkshire Building Society £70,000 a year but in terms of name exposure and good publicity it has proved an excellent investment. It

also gives the Yorkshire an edge over its local arch rivals, the Bradford & Bingley which sponsors the Black Dyke Mills Band, runners up in the European final.

Brass bands, which played under the name of the company employing the musicians, must have been the first form of arts sponsorship. As collieries and mills closed so new backers stepped forward, often building societies. The Alliance & Leicester last year took over the Keelworth Brass Band and the Britannia Building Society backs the famous Fodens. Even small building societies, such as the Barnsley and the Vernon, have bands. But it is the

Yorkshire which seems to have made the best investment.

A belated convert to the advantages of arts sponsorship is the Corporation of the City of London. Until recently there was a coterie of aldermen railing against the City's subsidy to its Barbican arts complex. Now all that has changed. The City has realised that if it wants to continue as the European centre of finance it must offer foreign companies a pleasant, and cultured, working environment. Hence its support for the City of London Festival, currently enjoying the Square Mile until July 14.

Last year the City agreed to give the festival £260,000 a year until 1997 if the organisers could find

matching money. This was achieved last year, and has been exceeded in 1996, with sponsors putting up around £300,000 in cash and help in kind. It is almost certain that the City will renew its commitment in September 1997.

For most backers the attraction is obvious - the chance to entertain key clients to pleasant musical diversions in venues not always accessible to outsiders, like the Merchant Taylors Hall and the Skinners Hall.

But Stephen Barter of Richard Ellis, who chairs the festival, is ambitious, and wants it to be taken as seriously as the festivals at Edinburgh and Brighton. He has added an out-reach programme, and slotted in populist events. This

has persuaded Marks & Spencer to put up £75,000 over three years to look after the educational projects, while 2,500 people were attracted to Paternoster Square last week for the literally explosive open air performances by Polish actors Teatre Biuro Podróży, sponsored by the John S. Cohen Foundation.

The Midland Bank, HSBC, Warburg, Unilever have rallied round, plus less obvious companies. Like first time sponsor Linklaters and Paines, the lawyers. The only threat to the festival is the very generosity of the "New City". The Corporation has promised £5m towards the Millennium exhibition at Greenwich and agreed to raise another £7m from City firms, is there enough spare cash for all?

UNISON, the trade union, has become an important arts sponsor, committing £35,000 a year for three years to the National Youth Jazz Orchestra. The money is matched by the government funded pairing scheme.

ake a pay

Dance Mozart maltreated

An insufferable evening. The omens were not good: the alarm-of-the-cell-door announcement that running time was "two hours (no interval)"; a delay of 30 minutes while adjustments were made to the staging. I should have raced for the exit before the lights went down. Conscientious to the last, I stayed, and was rewarded with a foretaste of the torments of the damned.

The occasion was Wednesday night's single appearance at the Royal Festival Hall of Anne Teresa De Keersmaeker's dance troupe, Rosas. Keersmaeker replaced Mark Morris at Brussels' Monnaie opera house in 1992, in one of those pendulum swings of taste that are proof of the malignity of fate and the awfulness of European taste in post-modern dance.

Morris, most musically sensitive of free-style choreographers, was supplanted by a dance-maker who, as Wednesday night showed, can blithely maltreat great music with every kind of cheapjack posturing and modish fatuity. The evening "as made more awful in that the performances of an assemblage of Mozart concert arias, movements from divertimenti, a sublime piano adagio, were so distinguished. Jos van Immerseel and his Anima Eterna ensemble, with the sopranos Ursula Hesse, Sandrine Piau, Isoldé Siebert, gave beautifully judged accounts of this patchwork of arias and orchestral music.

I need hardly add that Keersmaeker's little gang were not above mewling and sobbing and grunting and playing for laughs so that Mozart might benefit from their attentions. To seek to describe the two hours of Keersmaeker's lumpen activity is to say it an attention it does not merit.

The setting, by Herman Sorgeloos, was handsome: on a stage, seven women, armed with Keersmaeker's miserable repertory of tics, trudgings, infantile romps, and that famous old Belgian trick of slamming oneself to the ground. They wear a variety of crude, off-baroque costumes and hussy themselves round and under the music like an infestation of cockroaches.

The entire enterprise is insolent, both in its feeble means and in its crass manner. We are assured by journalistic puffery that Keersmaeker is seen in Europe as a significant creator. I have, across the years, found her work vivid, sadly limited in language, and naggingly vulgar. Nothing about this loathsome evening suggests I should change my mind.

Clement Crisp



Haunting bewilderment: a scene from Tim Supple's new production of 'The Comedy of Errors'

Tristram Kenyon

Theatre/Alastair Macaulay

Continuing fascination of twins

Twins: has any other subject yielded more fascinating results from recent research? Twins separated at birth and brought up in dissimilar circumstances have, decades later, been shown to demonstrate the same tastes in sexual matters, in clothes, in names, and, for that matter, have been found to be living in the same town. This research indicates the importance of genetics rather than environment on human development and it also casts a newly serious light upon all those giddy farces that, for over two millennia, have been written about what happens when one long-sun-dered twin turns up in the town inhabited by the other.

I do not know whether Tim Supple has been influenced by this research in his remarkably serious new production of Shakespeare's *Comedy of Errors* for the Royal Shakespeare Company, or whether he has proceeded from nothing but the text. Sometimes he starts to turn it into *The Tragedy of Errors*, sometimes it swims too soberly against the bubbly current of the

words, and it has a few weak performances. But it is a perfect antidote to the frothy account of the play that has become traditional. Supple's production has its elements of true comedy, and it reveals a finer strain of poetry in the play than I have ever heard. The sense of mystery and bewilderment that it creates are haunting. At the end of Supple's staging, the recognition scene brings several members of the cast to real tears.

"They say this town is full of coz-nage" says Antipholus of Syracuse after his first confusing experience on arrival in Ephesus. (No sooner has his servant Dromio departed to deposit his money than the other Dromio appears, admitting no knowledge of the money.) In this production, the line sounds like a cousin of Caliban's "The isle is full of noises", and Ephesus starts to seem as disturbing and magical a place as Prospero's Isle, a city in which people seem to deny one minute the experiences that they seem to have had a minute before, in which people are hailed by strangers as well-known acquaintances.

At many points throughout the play we hear music, music composed by Adrian Lee in the Ephesian style and played on instruments from the Near East with Sylvia Ballett singing before and after scenes in Asiatic vocal lines and half-maudlin but not always Asiatic words. Robert Innes Hopkins has designed an Ephesus where ancient and modern styles of architecture and dress overlap, where no surface is horizontal, and where the three planes on which the action takes place form a zigzag of steep slopes.

This is a true ensemble production. Certain performances are, however, outstanding. Simon Costes is so sincere and eloquent as Antipholus of Ephesus that I wish the part was twice as large and twice as complex, and Robert Bowman - despite his lightweight voice and occasionally blurred syllables - is a beautifully natural and touching Antipholus of Syracuse. Both Antipholi wear goateed beards and white suits, both Dromios wear shorts and

shaven heads, and all the confusions make perfect stage sense. Dan Milne mingles farcical astonishment and serious amazement very well as the Syracuse Dromio (wittily startled by "the mountain of mad flesh that claims marriage of me"), and Eric Mallett is very good as his Ephesian counterpart.

Tristram Kenyon illuminates the role of Luciana with unusual and tender gravity, and Sarah C. Cameron is handsome and veheement as Adriana. A pity that Cameron, like Leo Wringler as the Duke, has a slight lisp, and that they make heavy weather of their longer speeches. But Christopher Saul makes an unusually strong and moving impression in the difficult role of the Antipholi's father Aegeon.

This is a *Comedy of Errors* that is never simply *The Force of Errors* and that, affecting, is plainly the work of the man who wrote the cypress-shaded comedy of *Twelfth Night*.

In RSC repertory at The Other Place, Stratford-upon-Avon.

Munich Opera/David Murray

A modern pastiche

On Monday the Munich Opera Festival opened boldly with a new opera, commissioned from Hans-Jürgen von Bose, *Schlachthof 5*. The composer's own German libretto is drawn with faithful sympathy from Kurt Vonnegut's celebrated novel, *Slaughterhouse 5*, in which the crucial event is the wanton destruction of Dresden, Germany's "Florence on the Elbe", by Allied firebombs in February 1945.

I took my seat in the National-theatre with some trepidation. How would Münchener react to an American novelist's treatment - partly comic, to boot - of that national catastrophe? In the event, there were only faint boos amid the applause at the end of the first part of *Schlachthof 5*, and perhaps merely because it had taken nearly as long as *Elektra* or *Das Rheingold*. Conversely, the enthusiastic reception at the close may have been relief at finding Part Two only one-third the length of Part One.

Bose's adaptation of the novel proved remarkably deft, especially in view of Vonnegut's perpetual time-hopping. All of the large cast were excellent, notably Uwe Schönbek, exquisitely bemused and touching as Vonnegut's dim, passive American anti-hero in his later years, and Martin Ganter as his younger self in wartime, who finds himself a prisoner of war in a Dresden slaughterhouse shortly before the apocalyptic fire-storm.

Also the pair of "Evangelists", an ingenious Bose addition for explaining the story: Claes H. Ahnström always in the devout style of a Bach Passion narrator (complete with 18th-century continuo), Ronald Fries as more of a showbiz MC. Everyone else took turns in many roles: German and American soldiers, English officers, doctors and nurses, guests at Billy's daughter's wedding, a planeload of New York State optometrists - and some Trafaladorians, whom Billy believes kidnapped him in their flying saucer in 1967.

The Trafaladorians, who have access to a 4th dimension, were the only factor in Elke Gramsch's stunning production (brilliant sets by Gottfried Pirk, wildly expensive). Everyone else took turns in many roles: German and American soldiers, English officers, doctors and nurses, guests at Billy's daughter's wedding, a planeload of New York State optometrists - and some Trafaladorians, whom Billy believes kidnapped him in their flying saucer in 1967.

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meant to be American, but always sounding German - laced with literal quotes (the start of the *Rosen-Azouler* trio crops up twice).

Doubtless they all bear special significance for the composer, but he keeps his own hand pressed tight against his chest. Of non-paradisiacal music, we hear very little but scene-setting sounds and soft, sustained smears, with a page or two of melancholy string-utterances. Bose has declared, reasonably enough, that it would be "odious and almost blasphemous" to turn the catastrophe itself into music; a long orchestral howl is all that signifies it.

But the incessant pastiches, go, I think, with Bose's personal slant on the story, which is that it somehow stands for the galloping Americanisation of the German "life-style" (nowhere, incidentally, so visible as in Munich). Here, Vonnegut's homely vignettes of small-town American ways acquire a new meaning. Come to think of it, the very fact that a German audience could take this opera in cheerful good part, without offence or outrage, probably shows how far the "Americanisation" has gone.

The next night I heard Gerd Albrecht conduct *The Bassarids*, Hans Werner Henze's 1966 opera to Anden & Kallman's text after *The Bacchae*, with the Munich Philharmonic and another strong cast. He used Henze's recent reduction of the work, which deletes the ill-advised "rocco" interlude, thereby shortening the opera to less than the length of Bose's first act.

This too is modern opera - but wholly European, and almost too full of music. Albrecht was as assured and scrupulous with it as Paul Daniels had been with *Schlachthof 5*; in fact I have not heard *The Bassarids* projected with such power, not even in the Salzburg premiere. Should the ENO ever revive its ill-fated production of the opera (its first and only run was hit by a series of chorus-strikes), it should think of buying Albrecht's services.

Alan Titus sang a potentially troubled King Pentheus, the tragic hero; his mother Agave, who succumbs to the Bacchic cult and unknowingly murders him, was Renate Behle, tough and urgent, lacking only the deeper register to make her more affecting. There was a splendid Cadmus from Michael Burt, and no weak link anywhere else among the principals. The Philharmonic Choir distinguished itself. For a time, this opera was widely thought to be dead in the water: not so, not by a long way.

Last performance of *Schlachthof 5* at the Bayerische Staatsoper on July 8.

INTERNATIONAL
ARTS GUIDE

- AMSTERDAM**
CONCERT
Concertgebouw
Tel: 31-20-5730573
● 250ets Robeco Groep Zomerconcert: the 250th concert in the annual series of summer concerts in the Concertgebouw offers 12 hours of music by Quirine Viersen, the Combattimento Consort Amsterdam, the Meuw Sinfonietta Amsterdam, Isabelle van Keulen, Ronald Brautgam, the Radio Kamerorkest, Ton Koopman and many others; 12noon; Jul 6
- BARCELONA**
EXHIBITION
Fundació Joan Miró
Tel: 34-3-3291908
● European Architecture 1894-1994: exhibition comprising the winning projects for the European Architecture Awards together with a selection of finalists. In addition, the exhibition includes a selection of candidates from the first four editions and, like the Award itself, has been designed to offer a

- representative sample of the best architecture produced in Europe during the last decade; to Sep 6
- BONN**
EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-9171200
● Wisdom and Compassion. The Sacred Art of Tibet: this exhibition focuses on the traditional themes of the art of Tibetan Buddhism and presents the important stylistic developments from the ninth to the 19th century. On display are 190 objects of sacred art, mainly scroll-paintings (tangkas) and ornate metal sculptures; to Aug 25
- BRUSSELS**
EXHIBITION
Palais des Beaux-Arts
Tel: 32-2-5078496
● Ilya Kabakov. Sur le toit: exhibition of Ilya Kabakov's installation "Sur le toit" (On the roof), created for the Palais des Beaux-Arts, in which the visitors walk on a foot bridge over the roofs of an imaginary city; to Sep 6
- DUBLIN**
CONCERT
National Concert Hall - Geórgias Násistúnta Tel: 353-1-6711888
● Norfolk Ogawa: the pianist performs works by Mozart, Chopin and F. Schumann; 8pm; Jul 6
- FRANKFURT**
OPERA
Alte Oper Tel: 49-69-1340400

- Der Bettelstudent; by Millöcker. Conducted by Johannes Rieger and performed by the Ballet, Choir and Orchestra of the Ulmer Theatre; 8pm; Jul 6, 7 (3pm)
- GRANADA**
CONCERT
Palacio de Carlos V
Tel: 34-58-222111
● Orquesta Sinfónica de Madrid: with conductor Rafael Frühbeck de Burgos and mezzo-soprano Mabel Peralstein perform works by De Falla, Wagner and Stravinsky; 10.30pm; Jul 7
- LONDON**
CONCERT
Royal Festival Hall
Tel: 44-171-9634242
● Forest Philharmonic: with conductor Mark Shanhyan and baritone Alan Opa, the Hertfordshire Chorus and the London Oriana Choir perform works by Elgar and Walton; 7.30pm; Jul 6
● Royal Opera House - Covent Garden Tel: 44-171-2129234
● Nabucco; by Verdi. Conducted by Mark Elder and performed by the Royal Opera. Soloists include Cynthia Malikis, Elena Zaramba, Gregory Yurishoch and Kurt Rydl. Part of the Verdi Festival '96; 7.30pm; Jul 6
- LOS ANGELES**
CONCERT
Hollywood Bowl
Tel: 1-213-850-2000
● Los Angeles Philharmonic: with conductor/pianist Lukas Foss, the

- Los Angeles Chamber Orchestra and the Los Angeles Master Chorale, sopranos Camellia Johnson and Elissa Johnston, mezzo-soprano Cynthia Munzer, tenor Howard Hsieh, bass-baritone Jan Oelach and violinist Martin Chalifour perform works by J.S. Bach, Vivaldi, Stravinsky and Mozart; 6pm; Jul 6
- MUNICH**
EXHIBITION
Neue Pinakothek
Tel: 49-89-23805-195
● Willi Baumeister - Zeichnungen: retrospective exhibition of drawings by the German abstract artist Willi Baumeister (1888-1955); to Jul 7
● Nationaltheater
Tel: 49-89-21851920
● Tannhäuser; by Wagner. Conducted by Christian Thielemann and performed by the Bayerische Staatsoper. Soloists include Jan-Hendrik Rootering and René Kollo. Part of the Münchner Opern-Festspiele; 6pm; Jul 6
- NEW YORK**
FESTIVAL
Mostra Mozart Festival
Tel: 1-212-875-5030
● Mostly Mozart Festival: 30th anniversary season of this music festival held at the Avery Fisher Hall. The festival begins with the opening night pairing Itzhak Perlman and Pinchas Zukerman in Mozart's Sinfonia Concertante, a programme that will also be televised on "Live From Lincoln Center". Other highlights include appearances by the Tokyo String Quartet, James Galway, André Previn, Garrick

- Ohlson, Gil Shaham, The Canadian Brass, and Alicia De Larrucha. Also, the festival welcomes back pianist Claude Frank, whose association with the festival dates back to its first season; from Jul 9 to Jul 20
- OSTEND**
EXHIBITION
Museum voor Moderne Kunst
Tel: 32-59-508118
● Pol Bury, retrospective 1939-1994: major retrospective exhibition of this many-sided artist. His work includes paintings, reliefs, wooden sculptures, metal sculptures, string sculptures, fountains and graphic art; from Jul 6 to Sep 8
- PARIS**
EXHIBITION
Musée du Louvre
Tel: 33-1-40 20 50 50
● Nouvelles acquisitions du Département des Sculptures (1992-1995): for the fourth time the Département des Sculptures is exhibiting an overview of its acquisitions of the past four years. On show are 37 works from different countries and using various materials. The exhibition includes works by Gilles Guérin and Canova; to Jul 6
● Pisanello (1395-1455). Le Peintre aux Sept Venus: major retrospective exhibition devoted to the 15th-century Italian court painter and medalist Pisanello. The display features some 320 works by the artist, his contemporaries and his followers from the collection of the Musée du Louvre and other museums. Included are drawings,

- parchments, paintings, frescos and medallions; to Aug 5
- POP-MUSIC**
Palais Omnisports de Paris-Bercy
Tel: 33-1-44 68 44 68
● The Eagles: performance by the American band; 8pm; Jul 6
- TEL AVIV**
EXHIBITION
Tel Aviv Museum of Art
Tel: 972-3-8957361
● Fauvism "Wild Beasts": between 1904 and 1907 a group of artists including Matisse, Derain, De Vlaminck and Braque applied non-naturalistic and often disconcerting colours to otherwise conventional subjects. Most of the paintings in the show are landscapes - the Fauves preferred theme - but still life paintings, portraits and nudes are presented as well; to Aug 31
- TOKYO**
CONCERT
Sunory Hall Tel: 81-3-35751001
● Tokyo Metropolitan Symphony: with conductor Cosel Komatsu and violinist Gil Shaham perform Sibelius' Symphony No.2 in D; 6pm; Jul 6
● DANCE
Banikamura Orchard Hall
Tel: 81-3-3499-1531
● Les Ballets Trockadero de Monte Carlo: perform the choreographies Giselle and Pas de Deux; 6pm; Jul 6

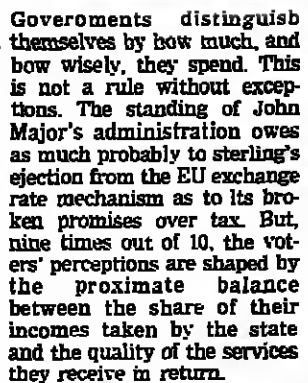
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COMMENT & ANALYSIS

Philip Stephens

A shadow of itself

Labour's draft manifesto shows the party has learnt the hard way about public mistrust of its tax and spending plans



Governments distinguish themselves by how much, and how wisely, they spend. This is not a rule without exceptions. The standing of John Major's administration owes as much probably to sterling's rejection from the EU exchange rate mechanism as to its broken promises over tax. But, nine times out of 10, the voters' perceptions are shaped by the proximate balance between the share of their incomes taken by the state and the quality of the services they receive in return.

The Labour party has learned this lesson the hard way. Public mistrust of its spending and tax plans lost it the last three general elections. That realisation informs every page of Tony Blair's draft manifesto. It explains its strengths and its weaknesses. And it poses the central question which would face an incoming Labour government.

New Labour, new life for Britain is self-consciously not a document to fire the imagination. Mr Blair describes it as the case for change rather than a compendium of pledges. Most of those were stripped out before the final version went to the printers earlier this week. Grand thinkers, the Labour leader offered yesterday, might well lament an absence of big ideas. Voters, he expected, would welcome its realism.

Its specific pledges relate to the small change of government spending. They are dinghies rather than the flagships Mr Blair once promised. Smaller class sizes in primary schools would be paid for by scrapping the assisted places scheme which pays for poorer children to attend private schools, and shorter hospital waiting lists by reducing health service bureaucracy. The biggest scheme, to tackle youth unemployment, would be financed from a windfall tax on private utilities. More than that, the ambitions are broad brush. Thus by the end of its first term, a Labour government would hope to be

spending more on education and less on welfare. Radical and bold in his dealings with his own party, Mr Blair puts reassurance first when speaking to the voters. He seems most at ease telling us what he would not do. Those who read it say that his first draft of the latest document was littered with defensive negatives. Quite a few survived to the end.

Like most in the shadow cabinet, he is haunted by the costs, and in electoral terms entirely pointless, promises on child benefit and state pensions made in 1992. He tells critics who accuse him of being mesmerised by focus groups of floating voters to ask themselves how many people backed the Conservatives last time because they thought Labour too timid. The electorate is still worried that there is a hidden agenda. Others in his party chortled earlier this week when the Conservatives launched their advertising blitz under the slogan New Labour New Danger. Mr Blair, I suspect, is not quite so complacent.

You can see his point. After nearly two decades in opposition, the most important thing for Labour is to demonstrate it is fit to govern. Such a timespan leaves a huge gulf between the politics of persuasion in opposition and those of action in government. But to say that he can be both radi-

If Tony Blair wins the general election he will discover how much easier it is to speak the language of priorities than to deliver them

cal and reassuring is to beg the question mentioned earlier. Mr Blair presumes that a Labour government can make a serious difference by shifting priorities within the overall limits for public spending set by Kenneth Clarke, a Conservative chancellor. Perhaps he can. But he must explain.

I am assuming here that, over the course of the economic cycle, Labour would not much increase the share of national income consumed by the state from its present level of a little over 40 per cent. For reasons which have been explained to me but I still cannot comprehend, the opposition will not offer this as a specific commitment. But, if Mr Blair is to be taken at face value, it is implicit in the pledge to stabilise government debt and in the aspiration to lower the tax burden on the average family.

What remain are a promise of different priorities and some clues in the draft manifesto as to the sort of switches we might expect from a Labour government. But the amounts involved are tiny, adding up to a fraction of the usual margins for error in the Treasury's forecasts for the public finances. They will be dwarfed by the changes that Mr Clarke will make in his November Budget. Much bolder measures would be needed if the voters were to see a real difference.

It is possible to change priorities. The Conservatives have done so since 1979. Take a few examples. Then, the government spent 2.6 per cent of national income on building new houses; now it allocates 0.6 per cent. The budget allocated to the Department of Trade and Industry has been almost halved from 2.4 per cent to 1.3 per cent. Spending on law and order has gone up from 1.5 per cent to 2.2 per cent of national income.

But, important though they are, such discretionary switches have been swamped by unplanned increases in welfare spending. The social

security budget now takes 13 per cent of national income, up from 10 per cent. Politics rather than the Conservatives' natural warmth towards the NHS, has forced an increase in health spending from 4.6 per cent to 6.6 per cent.

The overall squeeze on spending during the past three years has further pre-empted rational choices. The social security budget is now under some sort of control. But, given its size, even relatively modest growth removes the scope for discretionary spending increases elsewhere. And that is to say nothing of the £2bn-plus which Mr Clarke must find to stamp out BSE in the nation's beef herds. To pay for tax cuts in the autumn, the cabinet will be forced to gut the budgets of a dozen departments. Some face cuts of up to 10 per cent. Only the NHS, schools and the police will escape.

If Mr Blair wins the election he too will discover how much easier it is to speak the language of priorities than to deliver them. The Treasury will tell him that all the easy decisions have been taken. To make a difference, he would have to make far harder choices in government than he has been prepared to contemplate in opposition.

If he is serious about welfare reform, the Labour leader should address the issue of state benefits for the middle classes as well as incentives for the unemployed. Students in higher education might be asked to contribute towards fees as well as maintenance. There is scope for a bigger peace dividend from the defence budget. For all his enthusiasm for a tough policy on crime, filling the prisons with petty criminals is the most expensive and the least effective way of reducing it.

Mr Blair will be forgiven for not producing quite such a list before the election. Manifestos never tell the whole truth. But there are more hard decisions to be made between now and polling day. Caution counts. So too does confidence.

LETTERS TO THE EDITOR

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UN chief's abilities

From Mr Alexander Borg Olivier

Sir, Your editorial "US v Boutros" (July 3), you underline the importance of the increasing readiness of companies to challenge controversial decisions on state aid of the European Commission in the European Court of Justice. This statement needs some "fine-tuning" as appeals against decisions under the EU rules on state aid are appealed to the European Court of Justice in the cases of EU member States and to the Court of First Instance in the case of individuals.

Furthermore, it should be noted that the Court of First Instance, in its case law (for example, Case T-95/94 Sytraval), has consistently enforced the legal position of third parties who file a complaint with the Commission against aid granted to a competitor. To do so, the Court of First Instance recognised that it is very much more difficult for the complainants than it is for the Commission to gather the information and evidence needed in order to verify the validity of the complaint.

In certain circumstances, the Commission can even be held to have had an exchange of views and arguments with the complainant. As a result, by filing a complaint, companies can put pressure on the

Legal route to state aid transparency

From Mr Christof E.A. Swaak

Sir, In your editorial "Keeping state aids in check" (July 3), you underline the importance of the increasing readiness of companies to challenge controversial decisions on state aid of the European Commission in the European Court of Justice. This statement needs some "fine-tuning" as appeals against decisions under the EU rules on state aid are appealed to the European Court of Justice in the cases of EU member States and to the Court of First Instance in the case of individuals.

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In certain circumstances, the Commission can even be held to have had an exchange of views and arguments with the complainant. As a result, by filing a complaint, companies can put pressure on the

Commission, after which they may decide to have the Court of First Instance check the manner in which the Commission dealt with the complaint.

This kind of action will indeed stimulate greater transparency in the handling of state aid. It is up to aggravated competitors to make use of these possibilities by "crying foul" and "kicking up a stink" if necessary.

Christof E.A. Swaak, Juridisch Studiecentrum 'Hugo de Groot', Hugo de Grootstraat 27, Postbus 9520, 2300 RA Leiden, The Netherlands

A better use for national stockpiles of gold

From Mr Walter Grey

Sir, Though your plea for the International Monetary Fund's "outdated and under-utilised" gold reserve assets to be put to better use in the world's poorest nations' interest ("A debt stand-off", June 27) regrettably failed to gain unanimous support at the G7 summit, it nevertheless

remains valid. The same, of course, also goes for national stockpiles of the "barbarous relic". And what better use for the proceeds of gradually selling ("privatising") these than, say, long-term funding (not simple financing) of state benefits for the needy which otherwise could be unsustainable?

Once that principle was agreed, the only problem might be finding others to pick up those golden apples without taking too much of the shine-off their price.

Walter Grey, 12 Arden Road, Finchley, London N3 3AN, UK

Innovation, not just more R&D, must be Europe's aim

From Mr Christopher John Hall

Sir, The Japanese are about to lift state funded research spending because "for all its excellence at applied technology, Japan is behind in innovations" ("Japan to throw money at research", July 3).

The use of the word "innovation" is unfortunate. Innovation is applied technology, in the sense of a new product, process or service successfully brought to market. Japan, compared with Europe, has been very successful at it these past several decades. Japan's relative weakness, and Europe's strength, is in invention, not innovation. This is not mere nit-picking. We have just gone through a

policy debate in the European Union on "Innovation in Europe", based on the European Commission's green paper of the same title, and Brussels is now preparing new policy proposals. There are discouraging signs, despite the green paper's insistence that R&D is only part of the innovation equation, that the Commission will propose more R&D spending as the principal remedy. Having read your article, they may well now argue for even more R&D spending, so as to keep up with the Japanese!

There is no simple correlation between R&D expenditure and innovation. So many policymakers still do not understand this - or their intelligence yields time and

again to the arguments of the R&D lobbies. Scientific and engineering knowledge - that is technology - is only part of the equation; market knowledge, business organisation, entrepreneurial management, intellectual property protection, financial investment and other factors are at least as important. Governments need to spend more on promoting these and other mechanisms to encourage the use of technology; dissemination, diffusion, transfer, training...

Of course you need basic "R" to source innovation in the long run. In the short to medium term, though, you need even more, much more, market-driven "D", plus the other ingredients just referred

to. The Japanese have understood this for a long time. The Asian tigers have caught up, too. Where will we in Europe be in 50 years' time if we don't start spending more on innovation and less on R&D?

A last point: if the Japanese do raise their R&D spending as planned, will they prove better than us at converting the resulting inventions into innovations? If so, we had better look out.

Christopher John Hall, secretary general, TTI - European Association for the Transfer of Technology, Innovation and Industrial Information, 3 Rue des Capucins, L-1313 Luxembourg

20 YEARS OF ACHIEVEMENT

FINANCIAL POSITION

31 December (in Millions of US\$)

Assets	1995	1994	1993
Cash and banks	191	208	121
Marketable Securities	436	480	56
Loans	514	526	-
Equity Participations	137	66	-
Fixed and others	30	30	7
Total	1,308	1,310	184

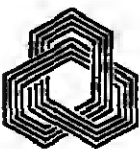
LIABILITIES AND SHAREHOLDERS FUNDS	1995	1994	1993
Deposits from banks	629	658	-
Provisions and others	80	73	2
Dividends payable	20	20	-
Shareholders' funds	-	-	-
- Paid up Capital	400	400	170
- Reserves	179	199	12
Total	1,308	1,310	184

FINANCIAL RESULTS 31 DECEMBER

Net Operating Income	45	20	8
Less: Risk provisions	(5)	-	-
Net profit for the year	40	20	8

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Failures of the euro exam

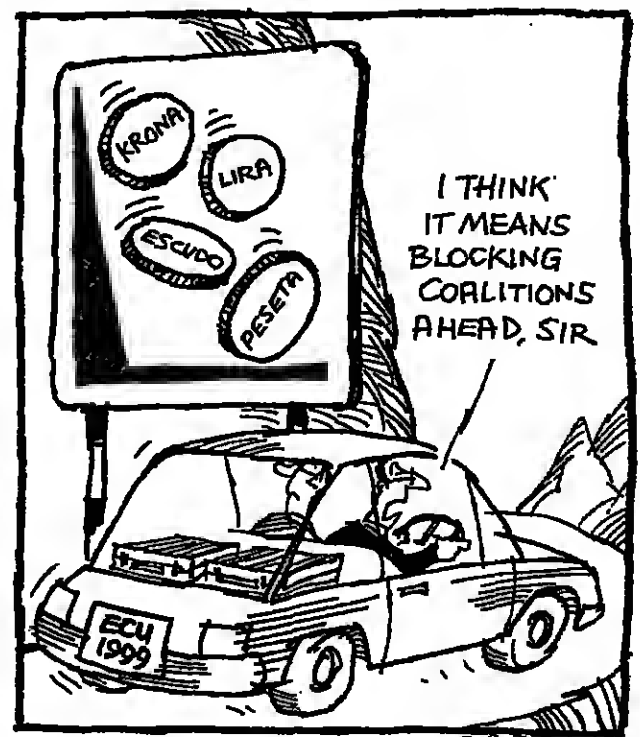
A minority of countries may block formation of a European currency union



The financial markets seem convinced that the European Union's economic and monetary union will start in 1999 with a core group of countries. This can be deduced from the spread of the forward interest rates between the D-Mark, the French franc, the Dutch guilder, the Belgian franc and the Austrian schilling, which have all but disappeared. The spreads remain substantial, however, between the D-Mark and the other EU currencies such as the peseta, lira, escudo, krona and pound. Thus the markets appear to believe that a "hard core" of mostly northern countries will start the monetary union in 1999, leaving behind the other mostly southern European and Scandinavian countries.

The financial markets have it wrong. The formation of a mini-currency union will almost certainly be blocked by the countries barred from entry - and they will have good legal and economic grounds to do so.

Article 108 of the Maastricht treaty stipulates that the decision about the membership of the single currency will be made by qualified majority. As a result, a small group of EU countries will have a blocking minority. For example, the four southern European countries which the financial markets believe will not be accepted into the monetary union - Italy, Spain, Portugal, Greece - will have such a blocking minority. There are several other blocking coalitions possible of only three or four countries that are likely to be barred from entry, in spite of their intense desire to be part of the monetary union. Thus there is a wide scope for coalition-building by the losers in the Maastricht game to block the formation of the single currency in 1999 between Germany, France, the Benelux countries, Austria and Ireland. There will be good reasons for the losers to exercise their



blocking vote, since it looks increasingly probable that several hard-core countries will not satisfy all the economic convergence criteria for monetary union.

Some will have difficulty meeting the target of a budget deficit below 3 per cent of gross domestic product - France, for example. But there will be even greater problems in meeting the target for public debt which is set at 60 per cent of GDP. The Maastricht treaty says that if debt exceeds this figure, the level must be "diminishing sufficiently" and "approaching the reference value at a satisfactory pace".

Three of the hard-core countries - Belgium, the Netherlands and Austria - will almost certainly fail this debt test. Even if their nominal GDP growth in 1996 is 5 per cent (which is higher than the projected growth rate for the year), their public debt will exceed 60 per cent of GDP in 1997: Belgium's will be 131 per cent, the Netherlands' will be 78 per cent and Austria's will be 66 per cent.

More important, the 1997 levels of debt will have fallen only 1 per cent to 2 per cent of GDP below 1996 levels in Belgium and the Netherlands. In Austria the debt-to-GDP ratio will not be decreasing at all. If the debt-to-GDP ratios con-

tinued to decline at this rate, it will take 40 years for Belgium to reduce its public debt below 70 per cent of GDP - a possible yardstick for "approaching the reference value". The Netherlands has a more favourable starting position but it would still take 10 years for it to reach 70 per cent of GDP at the present rate of decline.

It will need a great deal of imagination to claim that the debt-to-GDP ratios of Belgium, the Netherlands and Austria have "diminished sufficiently" and "have approached the reference value at a satisfactory pace".

If these hard-core countries are to pass the Maastricht entrance exam, therefore, it will be necessary to declare that one of the convergence criteria can be set aside. This, however, will open the door to similar interpretations of other Maastricht criteria.

For example, those countries not in the hard core will be able to claim that the requirement that interest rates be no more than two percentage points above that of the three best performers is arbitrary because it is self-fulfilling. Where countries are believed not to be early members of the monetary union, their interest rates are high to reflect the exchange rate risk - and they cannot then qualify. Con-

versely, a decision to allow these countries into the monetary union would quickly lead to their interest rates converging with those of the hard-core countries.

What really matters here, however, is not the fact that making an exception for the public debt target opens the possibility of setting aside other convergence criteria of even less economic relevance. More important is the fact that such selective interpretations will unravel the whole Maastricht convergence plan.

One option would be for France and Germany to go it alone in forming a monetary union as the core for a future single currency. But since France is unlikely to meet the budget deficit target, the other EU countries would have to give their agreement to bending the Maastricht rules for the sake of a union they would be excluded from. They are sure to object to such a course of action, especially since a Franco-German single currency would bring little economic gain for them.

Another option would be to start a "mini-currency union", that would allow the southern European and Scandinavian countries to join a single currency. This is likely to find support among those countries which would be prepared to waive the rules in return for their own entry into the monetary union. But this option would be difficult for Germany to accept since it would mean a monetary union with countries which it believes are insufficiently committed to price stability. The pressure of German public opinion to postpone monetary union would be strong if it were to be on a mini basis.

Financial markets would thus do well to reconsider their forecasts. The achievement of monetary union depends on reconciling the interests of those countries that will be in the single currency and those that will be out. On that basis, a mini-currency union looks unlikely to happen in 1999, while a maxi-union will happen only if German public opinion can be convinced that southern European countries are trustworthy partners.

The author is professor of economics at the University of Leuven and MP for the Liberal party in the Belgian parliament

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FINANCIAL TIMES

Friday July 5 1996

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Rightwing leaders force Israeli PM's hand Netanyahu creates post for Sharon to avoid crisis

By Julian Ozanne in Jerusalem

Mr Benjamin Netanyahu, Israel's prime minister, yesterday tried to avert the first crisis of his new government by creating a new ministry to accommodate Mr Ariel Sharon, the former general and champion of Jewish settlement in the Israeli-occupied West Bank.

In an interview in Jerusalem, Mr Netanyahu said he had carved out a new "super-ministry" of infrastructure for Mr Sharon, the popular rightwing leader, after all-night negotiations with other coalition partners. However, he said Mr Sharon had not yet indicated whether he would accept the job.

Mr Netanyahu said the offer satisfied Mr David Levy, the foreign minister, who made the issue public by threatening to leave the government unless Mr Sharon was brought into the cabinet before the prime minister's departure to Washington for an official visit on Monday.

However, the move is bound further to anger Israel's Arab

neighbours and worry western governments, which view Mr Sharon as an ultra-nationalist opponent of peace. As defence minister, Mr Sharon was largely responsible for Israel's 1982 invasion of Lebanon in a bid to crush guerrillas who launched attacks across the border.

Mr Netanyahu's forced compromise is another sign of the ability of rightwing leaders to dictate the shape of the government and curb the prime minister's bid to

A desire to be different Page 19

win presidential powers. Mr Netanyahu, who has called Mr Sharon "a permanent subversive", had tried to make him accept a minor cabinet job or stay out of a what he called a "government of excellence" led by professional experts.

But the affair has demonstrated his limited room to manoeuvre in the face of action by senior members of his rightwing Likud party.

Mr Netanyahu yesterday

brushed off fears that Mr Sharon would be able to pull the government further to the right.

"I am confident that when the government decides on its policies, they will be implemented by all the ministers," he said. "Of course we have a variety of people... they have different perspectives, some of them are hardliners and some are softliners. I think we have a productive synthesis but policies will be set and they will be implemented by everyone."

The prime minister's office said the new ministry had been created by stripping functions away from other ministries, particularly housing and construction and transport. It will include the roadbuilding authority, the railway authority, the lands administration, part of the water commission, the national sewage authority and responsibility for roads bypassing Palestinian areas in the West Bank.

The new ministry will be presented to today's cabinet meeting for approval, after which Mr Sharon is expected to accept the job.

US law on investment in Cuba forces ING out of sugar

By Gordon Cramb in Amsterdam and Pascal Fletcher in Havana

The Dutch banking and insurance group ING said yesterday it had pulled out of financing the Cuban sugar industry in response to controversial US legislation aimed at discouraging foreign investment in Cuba.

It is the second high-profile withdrawal from Cuba in the face of the Helms-Burton legislation. The Mexican company Comex last month withdrew from a contract to manage cement production.

ING said it would not renew \$30m in loans to Cubazucar, the state-owned trading arm for sugar, the mainstay of the Cuban economy. "We had to decide to stop it," it said.

Helms-Burton provides for US nationals to sue foreign companies and others trading in assets confiscated in Cuba. This could have left ING, whose subsidiaries have substantial US assets, open to legal claims.

"We have to operate within the legal framework however much we disapprove of it," the bank said. ING had reviewed its other activities, mainly trade finance, conducted through its Havana representative office and found no other clients at risk from Helms-Burton's provisions. "We will maintain our presence and we are fully committed to growing our business there," it added.

ING had led the way for a string of banks and trading houses to set up funds of at least \$100m to pay for imports to build the sugar harvest. The financing of inputs such as fertilisers, herbicides and spare parts helped Cuba to increase the 1995-96 sugar crop from the previous year's 5.9-year low of 3.3m tonnes to about 4.5m tonnes.

In all, nine of Cuba's 13 sugar-growing provinces were covered by foreign financing.

ING's financing was originally planned for five years, but the bank was able to exercise an annual opt-out clause in its contract. Its withdrawal will be a psychological blow to other foreign groups involved in sugar financing in Cuba, which this year will include at least one Spanish bank, Banco Bilbao Vizcaya.

"Everyone is moving to protect themselves," one sugar industry official said. A senior Cuban sugar trade official, Mr Alberto Betancourt, said in early June that Cuba had secured financing for its 1996-97 harvest for all sugar-growing provinces, but ING's announcement raises some questions about this. Cuba is certainly counting on continuing injections of foreign capital to lift the ailing harvest to a possible target of 5.5m tonnes.

Cuba seeks EU deal, Page 4 Commodities, Page 28

THE LEX COLUMN Swiss shake-up

FT-SE Eurotrack 200: 1743.5 (+9.5)



Source: FT Intel

The leap in CS Holding's share price since it announced its long-overdue corporate restructuring has sparked an enthusiastic hunt for other Swiss patients ready for corporate surgery. But investors should not get carried away by the surge of activity in a corporate scene famed for its lack of drama. Certainly, the speculation that drove up Nestlé's share price yesterday looks far-fetched. Having been an investor in L'Oréal for over 20 years and with a declared intention of consolidating control in the French cosmetic group, it would be extraordinary for Nestlé to sell out, as rumoured. Nestlé has low gearing, so it would not know what to do with the cash, since buy-backs and special dividends are tax inefficient. And with the coffee bean price tumbling, earnings are back on a growth track, presenting little pressure for change.

However, the Ciba and Sandoz merger and reorg at Credit Suisse were primarily defensive moves to reduce costs, and there is scope for more of the same. Switzerland remains significantly over-banked, and with Credit Suisse hacking back its local branch network following its abortive merger proposals with UBS, UBS must now be under pressure to follow suit. There is growing pressure for consolidation in the engineering sector, and Switzerland's insurance sector also looks ripe for change, given that domestic insurance margins are shrinking. Management that fail to attack costs vigorously may come under pressure from those that do.

Consider that it could take a decade for Lukoil's valuation to reach Western standards, and the discount looks much less conspicuous.

No doubt Mr Yeltsin's victory will tempt fresh investors. Whatever happens to him, the scale of Mr Yeltsin's victory over the Communists is good news: Russia voted decisively against turning back the clock. But as some investors pile in, just as many are likely to drop out now that the arguments on fundamentals are less clear-cut. Profit-taking is a real risk. For all except the most long-term investors, the case for crystallising their own gains now is compelling.

Eurotherm

The sudden departure of Mr Claes Hultman as chief executive of Eurotherm looks like a case of corporate governance gone sour. Mr Hultman has apparently resigned because the board refused to promote him to executive chairman. Mr Hultman is not the sort of manager to lose lightly. Over the past five years, he has turned the industrial controls maker around, doing wonders for its profits and share price - the 12 per cent drop in the shares yesterday is testament to the faith placed in him by the City. While critics label him as merely a turnaround specialist, Eurotherm has shown accelerating internal growth over the past two years.

Ironically, Eurotherm has an executive chairman at the moment in Mr Jack Leonard, who has been at the company since it was founded in 1965 and is now 64. That rather weakens the argument put forward by the directors that they wanted a non-executive chairman and felt Mr Hultman was too strong a character to fit the bill. With the company running

smoothly, Mr Hultman was in any case spending more time elsewhere and recently took on the chairmanship at Wembley. The fact that all this has happened without consulting advisers or shareholders - provoking the resignation of joint broker SSC Warburg - suggests an internal power struggle. Mr Leonard and his non-executives appear to be treating Eurotherm more like a private fiefdom than a public company.

UK politics

There is little to get voters' pulses racing in the Labour Party's latest manifesto; Mr Tony Blair's determination to avoid hostages to fortune has created an extremely bland document. But, from the perspective of investors, that is not necessarily a bad thing. The main reason so few goodies are in offer is that Labour is promising reasonably tight fiscal and monetary policies, backed up by curbs on public borrowing and an inflation target administered by the Bank of England.

The big question, of course, is whether Labour will deliver on these promises if it wins the next election. Won't backbenchers clamour for a return to its old tax and spend ways? Maybe. But investors can take some comfort from the thought that, if Labour is not seeking to bribe the electorate when it needs votes, it will have less incentive to do so when it does not need them. Moreover, with Mr Blair tightening his grip on the party organisation, the odds on his being able to control recalcitrant backbenchers look increasingly good.

UK electricity

Since consumers stand to benefit from introducing competition in Britain's domestic electricity market, the regulator is right to press the industry to get on with it. But he needs to do more than whinge. The problem is that preparing for domestic competition is a massive job, and those doing the work - the regional electricity companies - have everything to gain from dragging their feet. Maybe, as some in the industry say, more active leadership from the regulator would help. But this will not alter the fact that the industry's commercial interest lies in delaying competition, not accelerating it. To change this, the regulator would have to be bold and threaten to penalise the companies for delay at the next regulatory review. Otherwise, however much he huffs and puffs, delay looks inevitable.

Lex comment on Costala, Page 38

Japanese rocket group close to first satellite contract

By William Dawkins in Tokyo

A consortium of leading Japanese industrial and electronics companies is poised to win Japan's first contract in the fiercely competitive commercial satellite launch business.

Mr Hiroshi Imamura, vice president of Rocket Systems Corporation, was optimistic yesterday that it would be awarded the contract, said by industry officials to be for 10 launches, worth at least ¥85bn (\$770m), by Hughes Space and Communications International, the world's largest maker of satellites.

RSC made a sales presentation to the US company in April. Negotiations began in June and are due to finish early next month. They would "turn out happily", said Mr Imamura, who declined to give details.

The deal would be a lift to Japan's long-frustrated ambition to create a world-class aerospace industry, one of the few targets

its industrial policy planners have so far failed to hit. It would come just over a month after the explosion on its maiden launch of Ariane 5, the new rocket designed by Arianespace, the European space consortium.

It was only in 1994, two years behind schedule, that RSC launched the H-2, the first Japanese rocket capable of carrying a two-tonne satellite, the industry standard. It was the first of three successful launches but although technically dependable, the H-2 failed to attract foreign customers because it cost up to ¥19bn per launch, more than twice as much as charged by Arianespace and General Dynamics, the US aerospace group.

What appears to have attracted Hughes is RSC's pledge that launch costs will be halved by a redesigned rocket, the H-2A, able to lift up to four tonnes and due to make its first trial in early 2000. The yen's decline since the H-2 took to space had also helped,

said officials. The size of the RSC contract has yet to be confirmed, but industry officials expect it to include 10 launches of two-tonne satellites, to take place from 2000 to 2004, at around ¥8.5bn per satellite.

That would give Japan a significant share of the world market, currently for 30 launches per year, dominated by the US, Europe, Russia and China. Launches would take place at an RSC base at Tanegashima, a southwestern island.

One drawback is that launches may take place for only 90 days a year, at the insistence of local fishermen. The government's Science and Technology Agency hopes to negotiate an extension.

Japan is a late entrant to the commercial satellite market. RSC, formed only five years ago, is led by Mitsubishi Heavy Industries and embraces 73 companies including NEC, Toshiba, Nissan, Hitachi, Fujitsu and Ishikawajima Heavy Industries.

Chernomyrdin Sumitomo approved deals

Continued from Page 1

presidential elections and who appeared to be jockeying for a place in the government.

Mr Yeltsin was warmly congratulated on his victory by western governments, especially Germany and the US.

Markets rose on the news, but were constrained by worries about Mr Yeltsin's health.

Continued from Page 1

he said. "We have been prepared to take substantial risks."

Winchester had lost a "substantial amount of money" by misreading the copper market in October and November last year, Mr Levett said.

He gave a strong hint that volatile prices in the weeks since Mr Hamanaka's forced departure

had posed a similar test for the company's trading skills. Winchester, moreover, had lost business and clients.

Earlier this year, the Securities and Futures Authority said it was no longer investigating Winchester in connection with six trades in January 1994, as a result of which Costala, the Chilean copper producer, said it had sustained losses.

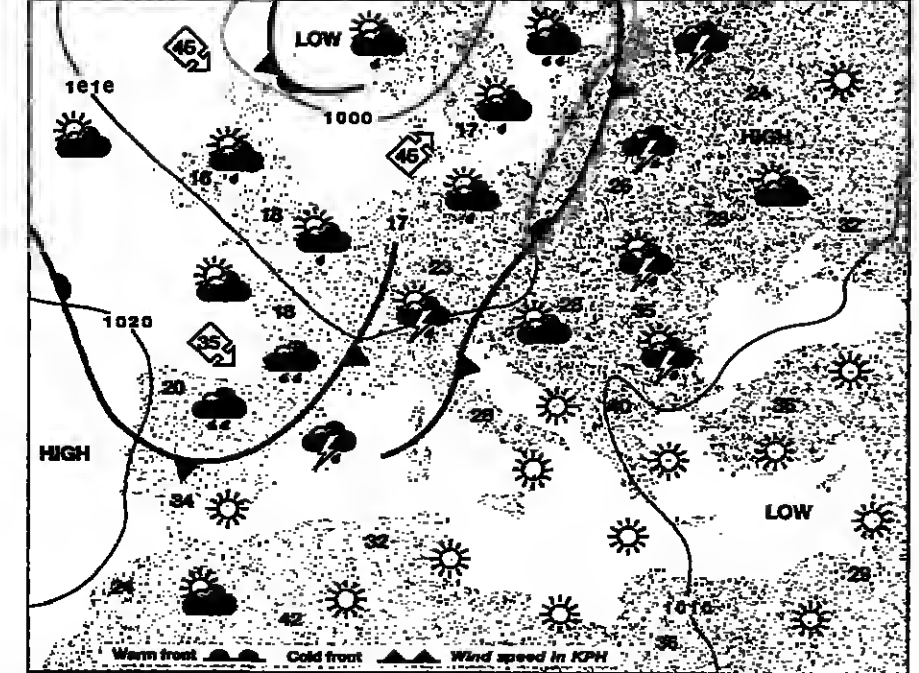
FT WEATHER GUIDE

Europe today

Sunny spells will prevail over most of the British Isles, but cloud will increase during the day. England, Ireland and Wales will have showers in the afternoon. Germany, Scandinavia, northern Spain and France will have showers. Western parts of the Alps will have heavy rain. Temperatures will reach 18C in France and 16C in Scandinavia. Southern Spain, Portugal, Italy, Greece, Turkey and the north-African coast will have plenty of sunshine. There will be occasional thunder showers in Switzerland, Bulgaria and Romania.

Five-day forecast

It will continue cloudy with outbreaks of rain for much of the British Isles and southern Scandinavia, the Benelux and Germany. Heavy showers are likely in eastern Europe on Saturday as a frontal zone moves through. Thunderstorms are expected in southern France and the Alps on Sunday and Monday. Southern parts of Europe will remain dry and sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Table with 3 columns: Location, Weather, Temperature. Includes cities like Abu Dhabi, Athens, Berlin, etc.

Table with 3 columns: Location, Weather, Temperature. Includes cities like Caracas, Casablanca, Chicago, etc.

Table with 3 columns: Location, Weather, Temperature. Includes cities like Frankfurt, Geneva, Glasgow, etc.

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